RECORDATION NO. 12864-A
FEB 4 - 1981 - 10 - AM
INTERSTATE COMMERCE COMMISSION
RECORDATION NO. 12864-B
FEB 4 - 1981 - 10 - AM
RECORDATION NO. 12864-C
FEB 4 - 1981 - 10 - AM
INTERSTATE COMMERCE COMMISSION

CRAVATH, SWAINE & MOORE

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No.
Date FEB 4 1981
Fee $16.00
Washington, D. C.

February 3, 1981

The Dow Chemical Company
Lease Financing Dated as of January 1, 1981
14% Conditional Sale Indebtedness Due 2001
[CS&M Ref. 2044-090]

RECEIVED
FEB 4 9 54 AM 1981
I.C.C.
FEE OPERATION BR.

Dear Ms. Mergenovich:

Pursuant to 49 U.S.C. § 11303(a) I enclose herewith on behalf of The Dow Chemical Company, for filing and recordation counterparts of the following:

(1) (a) Conditional Sale Agreement dated as of January 1, 1981, between Security Pacific Equipment Leasing, Inc., and each of ACF Industries, Incorporated ("ACF"), General American Transportation Corporation ("GATX") and Richmond Tank Car Company ("Richmond"); and

(b) Agreement and Assignment dated as of January 1, 1981, between each of ACF Industries, Incorporated, General American Transportation Corporation and Richmond Tank Car Company and Mercantile-Safe Deposit and Trust Company.

(2) (a) Lease of Railroad Equipment dated as of January 1, 1981, between The Dow Chemical Company and Security Pacific Equipment Leasing, Inc.; and

(b) Assignment of Lease and Agreement dated as of January 1, 1981, between Security Pacific Equipment Leasing, Inc., and Mercantile-Safe Deposit and Trust Company.

The addresses of the parties to the aforementioned agreements are:

Lessor-Vendee:

Security Pacific Equipment Leasing, Inc.,
One Embarcadero Center,
San Francisco, California 94111.

Builder-Vendor:

ACF Industries, Incorporated,
750 Third Avenue,
New York, N. Y. 10017

General American Transportation Corporation,
120 South Riverside Plaza,
Chicago, Illinois 60606.

Richmond Tank Car Company,
1700 West Loop South, (Suite 1500)
Houston, Texas 77027.

Lessee:

The Dow Chemical Company,
2020 Dow Center,
Midland, Michigan 48640.

Agent-Vendor-Assignee:

Mercantile-Safe Deposit and Trust Company,
Two Hopkins Plaza,
Baltimore, Maryland 21203.

The equipment covered by the aforementioned agreements appears in Exhibit A attached hereto and also bearing the legend "Ownership Subject to a Security Agreement Filed with the Interstate Commerce Commission."

Enclosed is our check for $100 for the required recordation fee. Please accept for recordation one counterpart of each of the enclosed agreements, stamp the remaining counterparts with your recordation number and return them to the delivering messenger along with your fee receipt addressed to the undersigned.

Very truly yours,

William P. Rogers, Jr.,
As Agent for
The Dow Chemical Company

Agatha Mergenovich, Secretary,
Interstate Commerce Commission,
Washington, D. C. 20423

Encls.

Type	AAR Mechanical Designation	Builder's Specifications	Builder's Plant	Quantity	Lessee's Road Numbers (Both Inclusive)	Estimated Unit Base Price	Estimated Total Base Price	Estimated Time and Place of Delivery
GATX 100-ton caustic soda tank cars	DOT 111A 100W-1	15,950 gal.	Sharon, Pa.	55	DOWX 7030-7084	$54,785	$3,013,175	Sharon, Pa., February and March 1981
GATX ethanolamine tank cars	DOT 111A 100W-6	20,000 gal.	Sharon, Pa.	7	DOWX 3264-3270	124,800	873,600	Sharon, Pa., February and March 1981
GATX 100-ton ethylene oxide tank cars	DOT 105A 300-W	25,000 gal.	Sharon, Pa.	23	DOWX 8402-8424	67,900	1,561,700	Sharon, Pa., February and March 1981
ACF 100-ton CF 2980 centerflow covered hopper cars	L-151	12-01075	Huntington, W. Va.	47	DOWX 2711-2757	42,000	1,974,000	January and February 1981 FOB Huntington W.Va. with deliery to common carrier for shipment to Brady, Texas
ACF 100-ton 25,000 gal. tank cars	T-527	18-15435	Milton, Pa.	13	DOWX 8465-8477	68,548	891,124	January and February 1981 Milton, Pa.
RTCC *Muriatic acid tank cars 28,000 gal. nominal capacity	T	20.ORC-Z	Sheldon, Tex.	18	DOWX 6856-6873	58,600	1,054,800	February and March 1981 Sheldon, Tex.
				163			$9,368,399	

* Some of all these units will be new

Interstate Commerce Commission
Washington, D.C. 20423

OFFICE OF THE SECRETARY

William P. Rogers, Jr.
Cravath, Swaine & Moore
One Chase Manhattan Plaza
New York, New York 10005

Dear Sirs:

The enclosed document(s) was recorded pursuant to the provisions of Section 11303 of the Interstate Commerce Act, 49 U.S.C. 11303, on 2/4/81 at 10:00AM, and assigned re-recordation number(s). 12864, 12864-A, 12864-B, & 12864-C

Sincerely yours,

Agatha L. Mergenovich

Agatha L. Mergenovich
Secretary

Enclosure(s)

SE-30
(7/79)

FEB 4 - 10 1 0 AM

[CS&M Ref: 2044-090]

CONDITIONAL SALE AGREEMENT

Dated as of January 1, 1981

between

SECURITY PACIFIC EQUIPMENT LEASING, INC.,
Vendee,

and each of

ACF INDUSTRIES, INCORPORATED,

GENERAL AMERICAN TRANSPORTATION CORPORATION

and

RICHMOND TANK CAR COMPANY

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CONDITIONAL SALE AGREEMENT dated as of January 1, 1981, between ACF INDUSTRIES, INCORPORATED, a New Jersey corporation, GENERAL AMERICAN TRANSPORTATION CORPORATION, a New York corporation, and RICHMOND TANK CAR COMPANY, a Delaware corporation (collectively the "Vendors" or "Builders" or individually the "Vendor" or the "Builder" as more particularly set forth in Article 1 hereof), and SECURITY PACIFIC EQUIPMENT LEASING, INC. (the "Vendee").

The Builders severally agree to construct, sell and deliver to the Vendee, and the Vendee agrees to purchase, the railroad equipment described in Annex B hereto other than equipment excluded pursuant to Article 3 or Article 4 hereof (the "Equipment").

The Vendee is entering into a Lease of Railroad Equipment dated as of the date hereof (the "Lease") with THE DOW CHEMICAL COMPANY (the "Lessee"), substantially in the form of Annex C hereto.

Mercantile-Safe Deposit and Trust Company (the "Assignee" or "Vendor") is acting as agent for certain investors pursuant to a Participation Agreement dated as of the date hereof (the "Participation Agreement") among the Assignee, the Vendee, the Lessee and such investors.

NOW, THEREFORE, in consideration of the mutual promises, covenants and agreements hereinafter set forth, the parties hereto do hereby agree as follows:

ARTICLE 1. Assignment; Definitions. The parties hereto contemplate that the Vendee will furnish that portion of the Purchase Price (as hereinafter defined) for the Equipment as is required under subparagraph (a) of the third paragraph of Article 4 hereof and that an amount equal to the balance of such Purchase Price as is payable hereunder shall be paid to the Builder by the Assignee pursuant to an Agreement and Assignment dated as of the date hereof between the Builder and the Assignee (such Agreement and Assignment being hereinafter called the Assignment).

The term "Vendor", whenever used in this Agree-

ment, means, before any assignment of their rights hereunder, the parties hereto which have manufactured the Equipment and any successor or successors for the time being to their respective manufacturing properties and business, and, after any such assignment, both any assignee or assignees for the time being of such particular assigned rights as regards such rights, and also any assignor as regards any rights hereunder that are retained or excluded from any assignment; and the term "Builder", whenever used in this Agreement, means, both before and after any such assignment, one of the parties hereto which has manufactured the Equipment and any successor or successors for the time being to its manufacturing properties and business.

The rights and obligations of the Builders under this Agreement are several in accordance with their interests and not joint. Accordingly, whenever this Agreement, by the use of such designation as "the Vendor", "such Builder", "the Builder", or other similar term, confers a right or imposes an obligation upon any corporation named in Item 1 of Schedule A hereto or its successor, such right or obligation shall be construed to accrue to or be enforceable against only the specific corporation furnishing the units of Equipment giving rise to such right or obligation and its successors as herein provided.

In case of such assignment, the Vendee will assign to the Vendor, as security for the payment and performance of all the Vendee's obligations hereunder, all right, title, and interest of the Vendee in and to the Lease, pursuant to an Assignment of Lease and Agreement in the form of Annex D hereto (the "Lease Assignment"), and the Lessee shall consent thereto pursuant to the Consent and Agreement in the form attached to Annex D (the "Consent").

ARTICLE 2. Construction and Sale. Pursuant to this Agreement, each Builder shall construct the Equipment at its plant set forth in Annex B hereto (such Equipment with respect to each Builder being hereinafter sometimes called "its Equipment"), and each Builder will sell and deliver to the Vendee, and the Vendee will purchase from the Builder and accept delivery of and pay for (as hereinafter provided), such Builder's Equipment, each unit of which shall be constructed in accordance with the specifications referred to in Annex B hereto and in accordance with such modifications thereof as may be agreed upon in

writing between the applicable Builder, the Vendee and the Lessee (which specifications and modifications, if any, are hereinafter called the "Specifications"). The design, quality and component parts of each unit of the Equipment shall conform, on the date of completion of manufacture thereof, to all Department of Transportation and Interstate Commerce Commission requirements and specifications and to all standards, if any, recommended by the Association of American Railroads reasonably interpreted as then being applicable to each such unit of Equipment, and each such unit will be new railroad equipment.

ARTICLE 3. Inspection and Delivery. Each Builder will deliver the units of its Equipment to the Vendee at the place or places specified in Annex B hereto (or at such other place or places designated from time to time by Lessee on behalf of the Vendee), freight and storage charges, if any, prepaid and included in the Purchase Price, in accordance with the delivery schedule set forth in Annex B hereto; provided, however, that any unit of Equipment which is delivered prior to the filing of this Agreement and the Lease pursuant to 49 U.S.C. § 11303 shall be excluded from this Agreement, and the Vendee shall be relieved of its obligation to purchase and pay for such Equipment; and provided further, that neither Builder shall have any obligation to deliver any unit of Equipment hereunder subsequent to the commencement of any proceedings specified in clause (c) of Article 15 hereof or the occurrence of any event of default (as described in Article 15 hereof), or event which, with the lapse of time and/or demand, would constitute such an event of default. Each Builder agrees not to deliver any unit of Equipment hereunder (a) following receipt of written notice from the Vendee or the Assignee of the commencement of any such proceedings or the occurrence of any such event, as aforesaid, and (b) until such Builder receives notice from the Assignee and the Vendee, respectively, that the conditions contained in Paragraphs 6 and 7, respectively, of the Participation Agreement have been met or waived.

Any Equipment delivered prior to the filing of this Agreement and the Lease pursuant to 49 U.S.C. § 11303 and any Equipment not delivered at the time of receipt by the Builder of the notice specified in clause (a) of the second sentence of the first paragraph of this Article 3 and any Equipment not delivered and accepted hereunder on or prior to June 29, 1981, shall be excluded from this

Agreement, and the Vendee shall be relieved of its obligation to purchase and pay for such Equipment. If any Equipment shall be excluded herefrom pursuant to the immediately preceding sentence, the Builder thereof and the Vendee shall execute an agreement supplemental hereto limiting this Agreement to the Equipment not so excluded herefrom. Pursuant to the Participation Agreement the Lessee has agreed to purchase such excluded Equipment and any Equipment excluded from this Agreement pursuant to the first paragraph of Article 4 hereof from the Builder thereof as provided in Paragraph 1 of the Participation Agreement.

Each Builder's obligation as to the time of delivery set forth in Annex B hereto is subject, however, to delays resulting from causes beyond such Builder's reasonable control, including but not limited to acts of God, acts of government such as embargoes, priorities and allocations, war or war conditions, riot or civil commotion, sabotage, strikes, differences with workmen, accidents, fire, flood, explosion, damage to plant, equipment or facilities, delays in receiving necessary materials or delays of carriers or subcontractors.

During construction, the Equipment shall be subject to inspection and approval by the authorized inspectors of the Vendee (who may be employees of the Lessee), and each Builder shall grant to such authorized inspectors reasonable access to its plant. Each Builder agrees to inspect the materials used in the construction of its Equipment in accordance with the standard quality control practices of such Builder. Upon completion of each unit or a number of units of the Equipment, such unit or units shall be presented to an inspector of the Vendee for inspection at the place specified for delivery of such unit or units, and if each such unit conforms to the Specifications, requirements and standards applicable thereto, such inspector or an authorized representative of the Vendee (who may be an employee of the Lessee) shall execute and deliver to the Builder thereof a certificate of acceptance (the "Certificate of Acceptance"), stating that such unit or units have been inspected and accepted on behalf of the Vendee and the Lessee and are marked in accordance with Article 9 hereof.

On delivery and acceptance of each such unit hereunder at the place specified for delivery, the Builder thereof shall not have any further responsibility for, nor

bear any risk of, any damage to or the destruction or loss of such unit; provided, however, that such Builder shall not thereby be relieved of its warranty referred to in Article 13 hereof.

Notwithstanding the foregoing or any other provision of this Agreement to the contrary, the delivery to and acceptance by or on behalf of the Vendee of any unit of Equipment excluded from this Agreement pursuant to the first paragraph of Article 4 hereof shall be ineffective, ab initio, to create in or transfer to the Vendee any legal or beneficial right or interest in such unit or (except as provided in the first paragraph of Article 4 hereof) to impose on the Vendee any liability, obligation or responsibility with respect thereto; any right or interest in any such unit created in, or transferred to, or purported to be created in or transferred to, the Vendee shall be held by the Vendee solely as trustee for the benefit of the Lessee.

ARTICLE 4. Purchase Price and Payment. The base price or prices per unit of the Equipment are set forth in Annex B hereto. Such base price or prices are subject to such increase or decrease as may be agreed among the Builder thereof, the Vendee, and the Lessee. The term "Purchase Price" as used herein shall mean such base price or prices as so increased or decreased (as set forth in the invoice or invoices of the Builder thereof which shall be accompanied by, or have endorsed thereon, the agreement or approval of the Lessee and the Vendee) plus the Lining Costs (as defined in Paragraph 2 of the Participation Agreement). If on any Closing Date (as hereinafter defined in this Article) the aggregate Purchase Price of Equipment and linings for which settlement has theretofore been and is then being made under this Agreement would, but for the provisions of this sentence, exceed the Maximum Purchase Price specified in Item 5 of Annex A hereto (or such higher amount as the Vendee may at its option agree to prior to delivery of any unit or units of Equipment that, but for such agreement, would be excluded from this Agreement), the appropriate Builder or Builders (and any assignee of such Builder or Builders) and the Vendee will enter into an agreement excluding from this Agreement such unit or units of Equipment then proposed to be settled for and specified by the Vendee, as will, after giving effect to such exclusion, reduce such aggregate Purchase Price under this Agreement to not more than the

Maximum Purchase Price specified in Item 5 of Annex A hereto (or such higher amount as aforesaid), and the Vendee shall take such other steps, including the execution of instruments of transfer, as may be reasonably requested by the Lessee for the purpose of acknowledging and perfecting the interest of the Lessee in any unit of Equipment so excluded from this Agreement, and the Vendee shall have no further obligation or liability in respect of units so excluded.

The Equipment shall be settled for in such number of groups of units of the Equipment delivered to and accepted by the Vendee as is provided in Item 2 of Annex A hereto (each such group being hereinafter called a Group). The term "Closing Date" with respect to any Group shall mean such date or dates (not later than June 29, 1981, such later date being herein called the Final Closing Date), occurring not more than 10 business days following presentation by the Builder to the Vendee of the Invoices and of the Certificate or Certificates of Acceptance for the Equipment and written notice thereof by the Builder to the Lessee, as shall be fixed by the Builder by written notice delivered to the Vendee and the Assignee at least 4 business days prior to the Closing Date designated therein. The term "business days" as used herein means calendar days, excluding Saturdays, Sundays and any other day on which banking institutions in New York, New York, San Francisco, California, or Chicago, Illinois, are authorized or obligated to remain closed. On each Closing Date, each Builder will be paid the Purchase Price for its Equipment then being settled for in the manner and subject to the conditions set forth in Section 4 of the CSA Assignment.

The Vendee hereby acknowledges itself to be indebted to the Vendor in the amount of, and hereby promises to pay or cause to be paid in cash to the Vendor at such place as the Vendor may designate, the Purchase Price of the Equipment, as follows:

(a) not later than 1:00 p.m., Baltimore time, on the Closing Date with respect to each Group (i) an amount equal to 29.874% of the aggregate Purchase Price of Equipment included in such Group represented by the Invoice or Invoices of the Builder therefor (being the aggregate Purchase Price of such Group minus Lining Costs) (hereinafter being called the Invoiced Purchase Price) plus (ii) the amount, if any,

by which (x) the remainder of the Purchase Price of all units of the Equipment covered by this Agreement for which settlement has theretofore and is then being made, as set forth in the Invoice or Invoices therefor exceeds (y) the Maximum CSA Indebtedness specified in Item 6 of Annex A and any amount or amounts previously paid or payable with respect to the Purchase Prices pursuant to this Clause (ii); and

(b) in 40 semiannual installments, as hereinafter provided, an amount equal to the balance of the Purchase Price (including the Lining Costs) specified in subparagraph (a) of this paragraph.

The portion of the Purchase Price payable pursuant to subparagraph (b) of the preceding paragraph (herein called the "CSA Indebtedness") shall be payable in 40 consecutive semiannual installments commencing December 30, 1981, to and including June 30, 2001 (or if any such date is not a business day, on the next succeeding business day), each such date being hereinafter called a Payment Date. The unpaid balance of the CSA Indebtedness shall bear interest from the Closing Date in respect of which such indebtedness was incurred at the rate of 14% per annum. Such interest shall be payable, to the extent accrued, on June 30, 1981, and on each Payment Date thereafter. The installments of principal payable on each Payment Date shall be calculated so that the amount and allocation of principal and interest payable on each Payment Date shall be substantially in proportion to the amount and allocation of principal and interest on such Payment Date set forth in Schedule I hereto, and such installments of principal will completely amortize the CSA Indebtedness. The Vendee will furnish to the Vendor and the Lessee promptly after last Closing Date a schedule, in such number of counterparts as shall be requested by the Vendor, showing the respective amounts of principal and interest payable on each Payment Date.

Interest under this Agreement shall be determined on the basis of a 360-day year of 12 30-day months, except that the interest due on June 30, 1981, and interest due pursuant to the next succeeding paragraph shall be determined on an actual elapsed day, 365-day year basis.

The Vendee will pay, to the extent legally enforceable, interest upon all amounts remaining unpaid

after the same shall have become due and payable pursuant to the terms hereof at the rate of 15% per annum.

All payments provided for in this Agreement shall be made in such coin or currency of the United States of America as at the time of payment shall be legal tender for the payment of public and private debts. Except as provided in this Article 4 and Article 7 hereof, the Vendee shall not have the privilege of prepaying any portion of the CSA Indebtedness prior to the date it becomes due.

The obligation of the Vendee to pay to the Vendor the amount required to be paid pursuant to subparagraph (a) of the third paragraph of this Article 4 with respect to any Group shall be subject to the receipt by the Vendee of copies of the documents required to be furnished by the relevant Builder pursuant to Section 4 of the CSA Assignment in respect of such Group.

Notwithstanding any other provision of this Agreement (including, but not limited to, any provision of Articles 15 and 16 hereof) but not limiting the effect of Article 21 hereof, it is understood and agreed by the Vendor that the liability of the Vendee or any assignee of the Vendee for all payments to be made by it under and pursuant to this Agreement or the performance of its obligations hereunder and excluding only the obligations set forth in the proviso in the third paragraph of Article 12 hereof, the payments to be made pursuant to subparagraph (a) of the third paragraph of this Article and the interest payable on the CSA Indebtedness due June 30, 1981, pursuant to the fourth paragraph of this Article 4, shall not exceed an amount equal to, and shall be payable only out of, the "income and proceeds from the Equipment". As used herein the term "income and proceeds from the Equipment" shall mean (i) if one of the events of default specified in Article 15 hereof shall have occurred and while it shall be continuing, so much of the following amounts as are indefeasibly received by the Vendee or any assignee of the Vendee at any time after any such event and during the continuance thereof: (a) all amounts of rental and amounts in respect of Casualty Occurrences or Terminations (as defined in Article 7 hereof) paid for or with respect to the Equipment pursuant to the Lease and any and all other payments received under § 10 or any other provision of the Lease (other than indemnity payments paid or payable under § 9 of the Lease and taxes and indemnities paid or payable to the Vendee under § 6 of the Lease) and (b) any and all

payments or proceeds received for or with respect to the Equipment as the result of the sale, lease or other disposition thereof, after deducting all costs and expenses of such sale, lease or other disposition, and (ii) at any other time, only that portion of the amounts referred to in the foregoing clauses (a) and (b) as are indefeasibly received by the Vendee or any assignee of the Vendee and as shall equal the portion of the CSA Indebtedness (including prepayments thereof required in respect of Casualty Occurrences or Terminations) and/or interest thereon due and payable on the date such amounts were required to be paid pursuant to the Lease or as shall equal any other payments then due and payable under this Agreement; it being understood that (1) "income and proceeds from the Equipment" shall in no event include amounts referred to in the foregoing clauses (a) and (b) received by the Vendee or any assignee of the Vendee prior to the existence of such an event of default which exceeded the amounts required to discharge that portion of the CSA Indebtedness (including prepayments thereof required in respect of Casualty Occurrences or Voluntary Terminations) and/or interest thereon due and payable on the date on which amounts with respect thereto received by the Vendee or any assignee of the Vendee were required to be paid to it pursuant to the Lease or which exceeded any other payments due and payable under this Agreement at the time such amounts were payable under the Lease, (2) "income and proceeds from the Equipment" shall also mean and include the amounts to be paid by the Vendee pursuant to Paragraph 17 of the Participation Agreement and (3) "income and proceeds from the Equipment" shall in no event include the amounts paid pursuant to § 3 of the Lease on any rental payment date if, but only if, the Vendee has made the payment of CSA Indebtedness and interest due on the immediately preceding December 30 or June 30, as the case may be, pursuant to this Article 4. Notwithstanding anything to the contrary contained in Article 15 or 16 hereof, the Vendor agrees that in the event it shall obtain a judgment against the Vendee for an amount in excess of the amounts payable by the Vendee pursuant to the limitations set forth in this paragraph, it will limit its execution of such judgment to amounts payable pursuant to the limitations set forth in this paragraph. Nothing contained herein limiting the liability of the Vendee shall derogate from the right of the Vendor to proceed against the Equipment for the full unpaid Purchase Price of the Equipment and interest thereon and all other payments and obligations hereunder.

ARTICLE 5. Security Interest in the Equipment. The Vendor shall and hereby does retain a security interest in the Equipment until the Vendee shall have made all its payments under this Agreement and shall have kept and performed all its agreements herein contained, notwithstanding any provision of this Agreement limiting the liability of the Vendee and notwithstanding the delivery of the Equipment to and the possession and use thereof by the Vendee and the Lessee as provided in this Agreement and the Lease.

Except as otherwise specifically provided in Article 7 hereof, when and only when the Vendor shall have been paid the full indebtedness in respect of the Purchase Price of the Equipment, together with interest and all other payments as herein provided, absolute right to the possession of, title to and property in the Equipment shall pass to and vest in the Vendee without further transfer or action on the part of the Vendor. Upon the payment in full of the indebtedness, interest and other payments referred to in the immediately preceding sentence, the Vendor shall, if so requested by the Vendee, (a) execute a bill or bills of sale for the Equipment releasing its security interest therein to the Vendee or upon its order, free of all liens, security interests and other encumbrances created or retained hereby and deliver such bill or bills of sale to the Vendee at its address referred to in Article 20 hereof, (b) execute and deliver at the same place, for filing, recording or depositing in all necessary public offices, such instrument or instruments in writing as may be necessary or appropriate in order then to make clear upon the public records the title of the Vendee to the Equipment and (c) pay to the Vendee any money paid to the Vendor pursuant to Article 7 hereof and not theretofore applied as therein provided. The Vendee hereby waives and releases any and all rights, existing or that may be acquired, in or to the payment of any penalty, forfeit or damages for failure to execute and deliver such bill or bills of sale or instrument or instruments or to file any certificate of payment in compliance with any law or statute requiring the filing of the same, except for failure to execute and deliver such bill or bills of sale or instrument or instruments or to file such certificate within a reasonable time after written demand by the Vendee.

ARTICLE 6. Taxes. All payments to be made by the Vendee hereunder will be free of expense to the Vendor

for collection or other charges and will be free of expense to the Vendor with respect to the amount of any local, state, Federal or foreign taxes (other than gross receipts taxes [except gross receipt taxes in the nature of or in lieu of sales or use or rental taxes], franchise taxes, taxes measured by net income, excess profits taxes and similar taxes) or license fees, assessments, charges, fines or penalties hereafter levied or imposed upon or in connection with or measured by this Agreement or any sale, rental, use, payment, shipment, delivery or transfer of title under the terms hereof (all such expenses, taxes, license fees, assessments, charges, fines and penalties being hereinafter called "impositions"), all of which impositions the Vendee assumes and agrees to pay on demand in addition to the Purchase Price of the Equipment. The Vendee will also pay promptly all impositions which may be imposed upon the Equipment delivered to it or for the use or operation thereof or upon the earnings arising therefrom (except as provided above) or upon the Vendor solely by reason of its ownership thereof (except as provided above) and will keep at all times all and every part of the Equipment free and clear of all impositions which might in any way affect the security interest of the Vendor or result in a lien upon any part of the Equipment; provided, however, that the Vendee shall be under no obligation to pay any impositions of any kind so long as it is contesting in good faith and by appropriate legal or administrative proceedings such impositions and the nonpayment thereof does not, in the reasonable opinion of the Vendor, adversely affect the security interest or property or rights of the Vendor in or to the Equipment or otherwise under this Agreement. If any impositions shall have been charged or levied against the Vendor directly and paid by the Vendor, the Vendee shall reimburse the Vendor upon presentation of an invoice therefor, and any amounts so paid by the Vendor shall be secured by and under this Agreement; provided, however, that the Vendee shall not be obligated to reimburse the Vendor for any impositions so paid unless the Vendor shall have been legally liable with respect thereto (as evidenced by an opinion of counsel for the Vendor) or unless the Vendee shall have approved in writing the payment thereof.

ARTICLE 7. Maintenance, Termination and Casualty Occurrences. The Vendee shall, at its own cost and expense, maintain and keep each unit of the Equipment in good operating order, repair and condition.

In the event that the Lease is terminated voluntarily pursuant to § 7 of the Lease as to any Unit (hereinafter called a "Termination") or any unit of the Equipment shall be or become worn out, lost, stolen, destroyed, or, in the opinion of the Vendee or the Lessee, irreparably damaged, from any cause whatsoever, or any unit shall be taken or requisitioned by condemnation or otherwise resulting in loss of possession by the Lessee for a period of 90 consecutive days, except requisition for use by the United States Government (any such occurrence being herein called a "Casualty Occurrence"), the Vendee shall, promptly after it shall have received notice from the Lessee or has otherwise been informed of a Termination or that such unit has suffered a Casualty Occurrence, cause the Vendor to be fully informed in regard thereto. On the Casualty Date (as defined in the Lease) or on the Termination Date (as defined in the Lease) in the case of a Termination (each such date hereinafter called a "Settlement Date"), the Vendee shall, subject to the limitations contained in the ninth paragraph of Article 4 hereof, pay to the Vendor (i) in the case of a Casualty Occurence, a sum equal to the Casualty Value (as hereinafter defined in this Article 7) of such unit suffering a Casualty Occurrence as of such Settlement Date, together with an amount equal to accrued interest thereon (as hereinafter provided) and (ii) in the case of a Termination, a sum equal to the Termination Value (as hereinafter defined in this Article 7) of such unit subject to such Termination as of such Settlement Date. The Vendee shall file, or cause to be filed, with the Vendor a certificate setting forth the Casualty Value of such unit or the Termination Value of such unit, as the case may be. Any money paid to the Vendor pursuant to this paragraph shall be applied (after the payment of the interest and principal due on such date) on the date of such payment to prepay without penalty or premium, except in the case of a Termination, ratably in accordance with the unpaid balance of each installment, the CSA Indebtedness, together with all interest accrued and unpaid on the portion of the CSA Indebtedness being prepaid. The Vendee shall promptly cause to be furnished to the Vendor and the Lessee a revised schedule of payments of principal and interest thereafter to be made, in such number of counterparts as the Assignee may request, calculated as provided in Article 4 hereof. In the event of the requisition for use by the United States Government of any unit of the Equipment, all of the Vendee's obligations hereunder with respect to such unit shall continue to the same extent as

if such requisition had not occurred.

The Casualty Value of each unit of the Equipment shall be deemed to be that portion of the Purchase Price thereof referred to in subparagraph (b) of the third paragraph of Article 4 hereof remaining unpaid on the date (after the payment of the interest and principal due on such date) as of which such Casualty Value shall be determined (without giving effect to any prepayment or prepayments theretofore made under this Article with respect to any other unit). For the purpose of this paragraph and the next succeeding paragraph hereof, each payment of the Purchase Price made pursuant to Article 4 hereof shall be deemed to be a payment with respect to each unit of Equipment in like proportion as the original Purchase Price of such unit bears to the aggregate original Purchase Price of all the Equipment.

The Termination Value of any unit shall be: (a) in the case of an Obsolescence Termination (as defined in the Lease), an amount equal to the Casualty Value; or (b) in the case of a Surplus Termination (as defined in the Lease), an amount equal to the sum of (i) the Casualty Value thereof plus (ii) a prepayment penalty premium equal to the product of the multiplication of such Casualty Value by the applicable percentage set forth below:

Settlement Date	Percentage
January 1, 1992	7.03%
July 1, 1992	6.66
January 1, 1993	6.29
July 1, 1993	5.92
January 1, 1994	5.55
July 1, 1994	5.18
January 1, 1995	4.81
July 1, 1995	4.44
January 1, 1996	4.07
July 1, 1996	3.70
January 1, 1997	3.33
July 1, 1997	2.96
January 1, 1998	2.59
July 1, 1998	2.22
January 1, 1999	1.85
July 1, 1999	1.48
January 1, 2000	1.11
July 1, 2000	.74
January 1, 2001	.37
July 1, 2001	0.00

Upon payment by the Vendee to the Vendor (i) of the Casualty Value of any unit of the Equipment having suffered a Casualty Occurrence or (ii) of the Termination Value of any unit subject to a Termination, absolute right to the possession of, title to and property in such unit shall pass to and vest in the Vendee, without further transfer or action on the part of the Vendor, except that the Vendor, if requested by the Vendee, will execute and deliver to the Vendee, at the expense of the Vendee, an appropriate instrument confirming such passage to the Vendee of all the Vendor's right, title and interest, and the release of the Vendor's security interest, in such unit, in recordable form, in order that the Vendee may make clear upon the public records the title of the Vendee to such unit.

If the Vendor shall receive any insurance proceeds or condemnation payments in respect of such units suffering a Casualty Occurrence, the Vendor shall, subject to the Vendor having received payment of the Casualty Value hereunder, pay such insurance proceeds or condemnation payments to the Vendee. All insurance proceeds or condemnation payments received by the Vendor in respect of any unit or units of Equipment not suffering a Casualty Occurrence shall be paid to the Vendee upon proof satisfactory to the Vendor that any damage to such unit in respect of which such proceeds were paid has been fully repaired.

ARTICLE 8. Reports and Inspections. On or before April 30 in each year, commencing with the year 1982, the Vendee shall cause to be furnished to the Vendor an accurate statement to the effect set forth in § 8 of the Lease. The Vendor shall have the right, by its agents, to inspect the Equipment and the Lessee's records with respect to matters reasonably related hereto at such reasonable times as the Vendor may request during the term of this Agreement, subject to the Lessee's applicable secrecy, safety and security regulations for the property involved.

ARTICLE 9. Marking of Equipment. The Vendee will cause each unit of the Equipment to be kept numbered with the road number and marked as provided in § 5 of the Lease. The Vendee will not permit any such unit to be placed in operation or exercise any control or dominion over the same until such markings shall have been made thereon and will replace or will cause to be replaced promptly any such markings which may be removed, obliter-

ated, defaced or destroyed. The Vendee will not permit the identifying number of any unit of the Equipment to be changed except in accordance with a statement of new number or numbers to be substituted therefor, which statement previously shall have been filed with the Vendor and filed, recorded and deposited by the Vendee in all public offices where this Agreement shall have been filed, recorded and deposited.

Except as provided in the immediately preceding paragraph, the Vendee will not allow the name of any person, association or corporation to be placed on any unit of the Equipment as a designation that might be interpreted as a claim of ownership; provided, however, that the Equipment may be lettered with the names or initials or other insignia customarily used by the Lessee or its affiliates or any permitted sublessees.

ARTICLE 10. Compliance with Laws and Rules. During the term of this Agreement, the Vendee will comply, and will cause every lessee or user of the Equipment to comply, in all respects (including, without limitation, with respect to the use, maintenance and operation of the Equipment) with all laws of the jurisdictions in which its or such lessee's or user's operations involving the Equipment may extend, with the interchange rules of the Association of American Railroads and with all lawful rules of the Department of Transportation, the Interstate Commerce Commission and any other legislative, executive, administrative or judicial body exercising any power or jurisdiction over the Equipment, to the extent that such laws and rules affect the title, operation or use of the Equipment, and in the event that such laws or rules require any alteration, replacement or modification of or to any part of any unit of the Equipment, the Vendee will conform therewith at its own expense; provided, however, that the Vendee or the Lessee may, in good faith, contest the validity or application of any such law or rule in any reasonable manner which does not, in the reasonable opinion of the Vendor, adversely affect the property or rights of the Vendor under this Agreement.

ARTICLE 11. Possession and Use. The Vendee, so long as an event of default shall not have occurred and be continuing under this Agreement, shall be entitled, from and after delivery of the Equipment by the Builder to the Vendee, to the possession of the Equipment and the use

thereof, but only upon and subject to all the terms and conditions of this Agreement.

The parties hereto acknowledge that the Vendee simultaneously is leasing the Equipment to the Lessee as provided in the Lease, and the rights of the Lessee and its permitted assigns under the Lease shall be subordinated and junior in rank to the rights, and shall be subject to the remedies, of the Vendor under this Agreement. The Lease shall not be amended or terminated (except in accordance with its terms) without the prior written consent of the Vendor.

ARTICLE 12. Prohibition Against Liens. The Vendee will pay or discharge any and all sums claimed by any party from, through or under the Vendee or its successors or assigns which, if unpaid, might become a lien, charge or security interest on or with respect to the Equipment, or any unit thereof, or the Vendee's interests in the Lease and the payments to be made thereunder equal or superior to the Vendor's security interest therein, and will promptly discharge any such lien, charge or security interest which arises, but the Vendee shall not be required to pay or discharge any such claim so long as the validity thereof shall be contested in good faith and by appropriate legal or administrative proceedings in any reasonable manner and the nonpayment thereof does not, in the reasonable opinion of the Vendor, adversely affect the security interest of the Vendor in or to the Equipment or otherwise under this Agreement. Any amounts paid by the Vendor in discharge of liens, charges or security interests upon the Equipment shall be secured by and under this Agreement.

This covenant will not be deemed breached by reason of liens for taxes, assessments or governmental charges or levies, in each case not due and delinquent, or undetermined or inchoate materialmen's, mechanics', workmen's, repairmen's or other like liens arising in the ordinary course of business and, in each case, not delinquent.

The foregoing provisions of this Article 12 shall be subject to the limitations set forth in the last paragraph of Article 4 hereof and the provisions of Article 21 hereof; provided, however, that the Vendee will pay or discharge any and all taxes, claims, liens, charges or

security interests claimed by any party from, through or under the Vendee or its successors or assigns, not arising out of the transactions contemplated hereby (but including taxes arising out of the receipt of the rentals and other payments under the Lease and any other proceeds from the Equipment), which, if unpaid, might become a lien, charge or security interest on or with respect to the Equipment, or any unit thereof, or the Vendee's interest in the Lease and the payments to be made thereunder, but the Vendee shall not be required to pay or discharge any such claim so long as the validity thereof shall be contested in good faith and by appropriate legal or administrative proceedings in any reasonable manner and the nonpayment thereof does not, in the reasonable opinion of the Vendor, adversely affect the security interest of the Vendor in or to the Equipment or otherwise under this Agreement or in and to the Lease and the payments to be made thereunder.

ARTICLE 13. Indemnities and Warranties. The Vendee agrees to indemnify, protect and hold harmless the Vendor from and against all losses, damages, injuries, liabilities, claims and demands whatsoever, regardless of the cause thereof, and expenses in connection therewith, including but not limited to counsel fees and expenses, penalties and interest, arising out of or as the result of the entering into or the performance of this Agreement, the retention by the Vendor of title to or a security interest in the Equipment, the ordering, acquisition, use, operation, condition, purchase, delivery, rejection, storage or return of any of the Equipment, any accident in connection with the operation, use, condition, possession, storage or return of any of the Equipment resulting in damage to property or injury or death to any person during the period when title thereto or a security interest therein remains in the Vendor or the transfer of title to the Equipment by the Vendor pursuant to any of the provisions of this Agreement, except however, in the case of any Builder, any losses, damages, injuries, liabilities, claims and demands whatsoever arising out of any tort, breach of warranty or failure to perform any covenant hereunder by such Builder. This covenant of indemnity shall continue in full force and effect notwithstanding the full payment of the indebtedness in respect of the Purchase Price of, and the release of the security interest in, the Equipment, as provided in Article 5 hereof, or the termination of this Agreement in any manner whatsoever.

The Vendee will bear the responsibility for and risk of, and shall not be released from its obligations hereunder (except as provided in Article 21 hereof) in the event of, any damage to or the destruction or loss of any unit of or all the Equipment.

Each Builder represents and warrants to the Vendee that, at the time of delivery and acceptance of each unit of its Equipment under this Agreement, the Vendee will have good and marketable title to such unit, free and clear of all claims, liens, security interests and other encumbrances of any nature except only the rights of the Vendor under this Agreement and the rights of the Lessee under the Lease.

Each Builder represents that it is not entering into this Agreement, or entering into any assignment of this Agreement, directly or indirectly in connection with any arrangement or understanding in any way involving any employee benefit plan (other than a governmental plan) with respect to which it is a party in interest, all within the meaning of the Employee Retirement Income Security Act of 1974.

The agreement of the parties relating to each Builder's warranty of material and workmanship and the agreement of the parties relating to patent indemnification are set forth in Items 3 and 4 of Annex A hereto.

ARTICLE 14. Assignments. The Vendee will not (a) except as provided in Article 11 hereof, transfer the right to possession of any unit of the Equipment or (b) without the prior written consent of the Vendor (which consent shall not unreasonably be withheld) sell, assign, transfer or otherwise dispose of its rights under this Agreement. Any such sale, assignment, transfer or disposition which may be made by the Vendee to another party shall be subject to the assumption by such party of all the obligations of the Vendee hereunder.

All or any of the rights, benefits and advantages of the Vendor under this Agreement, including the right to receive the payments herein provided to be made by the Vendee, may be assigned by the Vendor and reassigned by any assignee at any time or from time to time. No such assignment shall subject any assignee to, or relieve any Builder from, any of the obligations of such Builder to construct and deliver its Equipment in accordance herewith

or to respond to its warranties and indemnities referred to in Article 13 hereof, or relieve the Vendee of its obligations to such Builder contained in Articles 2, 3, 4, 6 and 13 hereof, Annex A hereto and this Article 14, or any other obligation which, according to its terms or context, is intended to survive an assignment.

Upon any such assignment, the assignor shall give written notice to the Vendee and the Lessee, together with a counterpart or copy of such assignment, stating the identity and post office address of the assignee, and such assignee shall, by virtue of such assignment, acquire all the assignor's right, title and interest in and to the Equipment and this Agreement, or in and to a portion thereof, as the case may be, subject only to such reservations as may be contained in such assignment. From and after the receipt by the Vendee of the notification of any such assignment, all payments thereafter to be made by the Vendee under this Agreement shall, to the extent so assigned, be made to the assignee in such manner as it may direct.

The Vendee recognizes that this Agreement will be assigned to the Assignee as provided in the CSA Assignment. The Vendee expressly represents, for the purpose of assurance to any person, firm or corporation considering the acquisition of this Agreement or of all or any of the rights of the Vendor hereunder, and for the purpose of inducing such acquisition, that, subject to the provisions of the last paragraph of Article 4 hereof, the rights of the Assignee to the entire unpaid indebtedness in respect of the Purchase Price of the Equipment or such part thereof as may be assigned together with interest thereon, as well as any other rights hereunder which may be so assigned, shall not be subject to any defense, setoff, counterclaim or recoupment whatsoever arising out of any breach of any obligation of any Builder with respect to the Equipment or the manufacture, construction, delivery or warranty thereof, or with respect to any indemnity herein contained, nor subject to any defense, setoff, counterclaim or recoupment whatsoever arising by reason of any other indebtedness or liability at any time owing to the Vendee or the Lessee by any Builder. Any and all such obligations, howsoever arising, shall be and remain enforceable by the Vendee or the Lessee, as the case may be, against and only against the Builders.

ARTICLE 15. <u>Defaults.</u> In the event that any one

or more of the following events of default shall occur and be continuing, to wit:

(a) the Vendee shall fail to pay in full any sum payable by the Vendee when payment thereof shall be due hereunder (irrespective of the provisions of Article 4 or 21 hereof or any other provision of this Agreement limiting the liability of the Vendee) and such default shall continue for 15 days after the date such payment is due and payable; or

(b) the Vendee (irrespective of the provisions of Article 4 or 21 hereof or any other provision of this Agreement limiting the liability of the Vendee) or the Lessee shall, for more than 30 days after the Vendor shall have demanded in writing performance thereof, fail or refuse to comply with any other covenant, agreement, term or provision of this Agreement, or of any agreement entered into concurrently herewith relating to the financing of the Equipment, on its part to be kept and performed or to make provision satisfactory to the Vendor for such compliance; or

(c) any proceeding shall be commenced by or against the Vendee or the Lessee for any relief which includes, or might result in, any modification of the obligations of the Vendee hereunder or of the Lessee under the Lease or the Consent under any bankruptcy or insolvency laws, or laws relating to the relief of debtors, readjustment of indebtedness, reorganizations, arrangements, compositions or extensions (other than a law which does not permit any readjustment of such obligations), and, unless such proceedings shall have been dismissed, nullified, stayed or otherwise rendered ineffective (but then only so long as such stay shall continue in force or such ineffectiveness shall continue), all the obligations of the Vendee or of the Lessee under this Agreement, the Lease, the Lease Assignment, the Consent and/or the Participation Agreement, as the case may be, shall not have been and shall not continue to have been duly assumed in writing, pursuant to a court order or decree, by a trustee or trustees or receiver or receivers appointed for the Vendee or the Lessee, as the case may be, or for their respective property in connection with any such proceedings in such manner that such obligations

shall have the same status as obligations incurred by such trustee or trustees or receiver or receivers, within 60 days after such proceedings shall have been commenced; or

(d) the Vendee shall make or permit any unauthorized assignment or transfer of this Agreement or any interest herein or any unauthorized transfer of the right to possession of any unit of the Equipment and the Vendee shall, for more than 30 days after demand in writing by the Vendor, fail to secure a reassignment or retransfer to the Vendee of such Agreement, interest or right; or

(e) any Event of Default (as defined in the Lease) shall have occurred and be continuing under the Lease; provided, however, that an Event of Default under clause (A) of § 10 of the Lease shall not be deemed to be an event of default hereunder if (1) within the 15 business days' period provided by subparagraph (a) of this Article 15, the Vendee shall make payment of all amounts in default under said subparagraph (a) hereunder and (2) there is no other event of default under this Article 15;

then at any time after the occurrence of such an event of default the Vendor may, upon written notice to the Vendee and the Lessee and upon compliance with any legal requirements then in force and applicable to such action by the Vendor, (i) subject to the proviso in the second paragraph of § 4 of the Lease relating to the Lessee's rights of possession, use and assignment under § 12 of the Lease, cause the Lease immediately upon such notice to terminate (and the Vendee acknowledges the right of the Vendor to terminate the Lease), but without affecting the indemnities which by the provisions of the Lease survive its termination, provided, however, that such termination shall not be in derogation of or impair the rights of the Vendee to enforce compliance by the Lessee with any of its covenants and agreements under the Lease or to enforce any of its rights and remedies under § 10 of the Lease (subject to the Vendor's rights to repossess and sell the Equipment as provided herein), including the rights of the Vendee to sue for and recover damages provided for in § 11(a) of the Lease upon the occurrence of an Event of Default under the Lease, and/or (ii) declare (hereinafter called a "Declaration of Default") the entire unpaid CSA Indebted-

ness, together with the interest thereon then accrued and unpaid, immediately due and payable, without further demand, and thereafter the aggregate of the unpaid balance of such Indebtedness and interest shall bear interest from the date of such Declaration of Default at the rate per annum specified in Article 4 hereof as being applicable to amounts remaining unpaid after becoming due and payable, to the extent legally enforceable. Upon a Declaration of Default, subject to Article 4 hereof, the Vendor shall be entitled to recover judgment for the entire unpaid balance of the CSA Indebtedness so payable, with interest as aforesaid, and to collect such judgment out of any property of the Vendee, subject to the provisions of Article 4 hereof, wherever situated. The Vendee shall promptly notify the Vendor of any event of which it has knowledge which constitutes, or with the giving of notice and/or lapse of time could constitute, an event of default under this Agreement.

The Vendor may, at its election, waive any such event of default and its consequences and rescind and annul any Declaration of Default or notice of termination of the Lease by notice to the Vendee and the Lessee in writing to that effect, and thereupon the respective rights of the parties shall be as they would have been if no such event of default had occurred and no Declaration of Default or notice of termination of the Lease had been made or given. Notwithstanding the provisions of this paragraph, it is expressly understood and agreed by the Vendee that time is of the essence of this Agreement and that no such waiver, rescission or annulment shall extend to or affect any other or subsequent default or impair any rights or remedies consequent thereon.

ARTICLE 16. Remedies. Subject to the Lessee's rights of possession, use and assignment under §§ 4 and 12 of the Lease, at any time during the continuance of a Declaration of Default, the Vendor may, and upon such further notice, if any, as may be required for compliance with any mandatory legal requirements then in force and applicable to the action to be taken by the Vendor, take or cause to be taken, by its agent or agents, immediate possession of the Equipment, or one or more of the units thereof, without liability to return to the Vendee any sums theretofore paid and free from all claims whatsoever, except as hereinafter in this Article 16 expressly provided, and may remove the same from possession and use of

the Vendee or any other person and for such purpose may enter upon the premises of the Vendee or any other premises where the Equipment may be located and may use and employ in connection with such removal any supplies, services and aids and any available trackage and other facilities or means of the Vendee, subject to all mandatory requirements of due process of law.

In case the Vendor shall demand possession of the Equipment pursuant to this Agreement and shall designate a reasonable point or points for the delivery of the Equipment to the Vendor, the Vendee shall, at its own expense and risk:

(a) forthwith and in the usual manner (including, but not by way of limitation, causing prompt telegraphic and written notice to be given to the Association of American Railroads and all railroads to which any unit or units of the Equipment have been interchanged to return the unit or units so interchanged) cause the Equipment to be placed upon such storage tracks of the Lessee or, at the expense of the Vendee, upon any other storage tracks, as the Vendor reasonably may designate;

(b) permit the Vendor to store the Equipment on such tracks at the risk of the Vendee without charge for rent or storage until the Equipment has been sold, leased or otherwise disposed of by the Vendor; and

(c) cause the Equipment to be transported to any reasonable place on any lines of railroad or to any connecting carrier for shipment, all as directed by the Vendor.

During any storage period, the Vendee will, at its own cost and expense, insure, maintain and keep each such unit in good order and repair and will permit the inspection of the Equipment by the Vendor, the Vendor's representatives and prospective purchasers, lessees and users. This agreement to deliver the Equipment and furnish facilities as hereinbefore provided is of the essence of the agreement between the parties, and, upon application to any court of equity having jurisdiction in the premises, the Vendor shall be entitled to a decree against the Vendee requiring specific performance hereof. The Vendee hereby expressly waives any

and all claims against the Vendor and its agent or agents for damages of whatever nature in connection with any retaking of any unit of the Equipment in any reasonable manner.

At any time during the continuance of a Declaration of Default, the Vendor (after retaking possession of the Equipment as hereinbefore in this Article 16 provided) may, at its election and upon such notice as is hereinafter set forth, retain the Equipment in satisfaction of the entire CSA Indebtedness and make such disposition thereof as the Vendor shall deem fit. Written notice of the Vendor's election to retain the Equipment shall be given to the Vendee and the Lessee by telegram or registered mail, addressed as provided in Article 20 hereof, and to any other persons to whom the law may require notice, within 30 days after such Declaration of Default. In the event that the Vendor should elect to retain the Equipment and no objection is made thereto within the 30-day period described in the second proviso below, all the Vendee's rights in the Equipment shall thereupon terminate and all payments made by the Vendee or for its account may be retained by the Vendor as compensation for the use of the Equipment; provided, however, that if the Vendee, before the expiration of the 30-day period described in the proviso below, should pay or cause to be paid to the Vendor the total unpaid balance of the CSA Indebtedness, together with interest thereon accrued and unpaid and all other payments due under this Agreement, then in such event absolute right to the possession of, title to and property in the Equipment shall pass to and vest in the Vendee; provided, further, that if the Vendee, the Lessee or any other persons notified under the terms of this paragraph object in writing to the Vendor within 30 days from the receipt of notice of the Vendor's election to retain the Equipment, then the Vendor may not so retain the Equipment, but shall sell, lease or otherwise dispose of it or continue to hold it pending sale, lease or other disposition as hereinafter provided or as may otherwise be permitted by law. If the Vendor shall not have given notice to retain as hereinabove provided or notice of intention to dispose of the Equipment in any other manner, it shall be deemed to have elected to sell the Equipment in accordance with the provisions of this Article 16.

At any time during the continuance of a Declaration of Default, the Vendor, with or without retaking

possession thereof, at its election and upon reasonable notice to the Vendee, the Lessee and any other persons to whom the law may require notice of the time and place, may sell the Equipment, or one or more of the units thereof, free from any and all claims of the Vendee, the Lessee or any other party claiming from, through or under the Vendee or the Lessee, at law or in equity, at public or private sale and with or without advertisement as the Vendor may determine; provided, however, that if, prior to such sale and prior to the making of a contract for such sale, the Vendee should tender full payment of the total unpaid balance of the CSA Indebtedness, together with interest thereon accrued and unpaid and all other payments due under this Agreement as well as expenses of the Vendor in retaking possession of, removing, storing, holding and preparing the Equipment for, and otherwise arranging for, the sale and the Vendor's reasonable attorneys' fees, then upon receipt of such payment, expenses and fees by the Vendor, absolute right to the possession of, title to and property in the Equipment shall pass to and vest in the Vendee. The proceeds of such sale or other disposition, less the attorneys' fees and any other expenses incurred by the Vendor in retaking possession of, removing, storing, holding, preparing for sale and selling or otherwise disposing of the Equipment, shall be credited on the amount due to the Vendor under the provisions of this Agreement.

Any sale hereunder may be held or conducted at New York, New York, at such time or times as the Vendor may specify (unless the Vendor shall specify a different place or places, in which case the sale shall be held at such place or places as the Vendor may specify), in one lot and as an entirety or in separate lots and without the necessity of gathering at the place of sale the property to be sold, and in general in such manner as the Vendor may determine, so long as such sale shall be in a commercially reasonable manner. The Vendor, the Vendee or the Lessee may bid for and become the purchaser of the Equipment, or any unit thereof, so offered for sale. The Vendee and the Lessee shall be given written notice of such sale not less than 10 days prior thereto, by telegram or registered mail addressed as provided in Article 20 hereof. If such sale shall be a private sale (which shall be deemed to mean only a sale where an advertisement for bids has not been published in a newspaper of general circulation or a sale where less than 40 railroads have been solicited in writing to submit bids), it shall be subject to the rights of the

Lessee and the Vendee to purchase or provide a purchaser, within 10 days after notice of the proposed sale price, at the same price offered by the intending purchaser or a better price. In the event that the Vendor shall be the purchaser of the Equipment, it shall not be accountable to the Vendee or the Lessee (except to the extent of surplus money received as hereinafter provided in this Article 16), and in payment of the purchase price therefor the Vendor shall be entitled to have credited on account thereof all or any part of sums due to the Vendor hereunder.

Each and every power and remedy hereby specifically given to the Vendor shall be in addition to every other power and remedy hereby specifically given or now or hereafter existing at law or in equity, and each and every power and remedy may be exercised from time to time and simultaneously and as often and in such order as may be deemed expedient by the Vendor. All such powers and remedies shall be cumulative, and the exercise of one shall not be deemed a waiver of the right to exercise any other or others. No delay or omission of the Vendor in the exercise of any such power or remedy and no renewal or extension of any payments due hereunder shall impair any such power or remedy or shall be construed to be a waiver of any default or an acquiescence therein. Any extension of time for payment hereunder or other indulgence duly granted to the Vendee or the Lessee shall not otherwise alter or affect the Vendor's rights or the Vendee's obligations hereunder. The Vendor's acceptance of any payment after it shall have become due hereunder shall not be deemed to alter or affect the Vendee's obligations or the Vendor's rights hereunder with respect to any subsequent payments or default therein.

If, after applying all sums of money realized by the Vendor under the remedies herein provided, there shall remain any amount due to it under the provisions of this Agreement, the Vendee shall pay the amount of such deficiency to the Vendor upon demand, together with interest thereon from the date of such demand to the date of payment at the rate per annum specified in Article 4 hereof as being applicable to amounts remaining unpaid after becoming due and payable, and, if the Vendee shall fail to pay such deficiency, the Vendor may bring suit therefor and shall, subject to the limitations of the last paragraph of Article 4 hereof, be entitled to recover a judgment therefor against the Vendee. If, after applying as aforesaid all

sums realized by the Vendor, there shall remain a surplus in the possession of the Vendor, such surplus shall be paid to the Vendee.

The Vendee will pay all reasonable expenses, including attorneys' fees, incurred by the Vendor in enforcing its remedies under the terms of this Agreement. In the event that the Vendor shall bring any suit to enforce any of its rights hereunder and shall be entitled to judgment, then in such suit the Vendor may recover reasonable expenses, including reasonable attorneys' fees, and the amount thereof shall be included in such judgment.

The foregoing provisions of this Article 16 are subject in all respects to all mandatory legal requirements at the time in force and applicable thereto.

ARTICLE 17. Applicable State Laws. Any provision of this Agreement prohibited by any applicable law of any jurisdiction shall as to such jurisdiction be ineffective, without modifying the remaining provisions of this Agreement. Where, however, the conflicting provisions of any such applicable law may be waived, they are hereby waived by the Vendee to the full extent permitted by law, it being the intention of the parties hereto that this Agreement shall be deemed to be a conditional sale and enforced as such.

Except as otherwise provided in this Agreement, the Vendee, to the full extent permitted by law, hereby waives all statutory or other legal requirements for any notice of any kind, notice of intention to take possession of or to sell or lease the Equipment, or any one or more units thereof, and any other requirements as to the time, place and terms of the sale or lease thereof, any other requirements with respect to the enforcement of the Vendor's rights under this Agreement and any and all rights of redemption.

ARTICLE 18. Recording. The Vendee will cause this Agreement, any assignments hereof and any amendments or supplements hereto or thereto to be filed and recorded with the Interstate Commerce Commission pursuant to 49 U.S.C. § 11303; and the Vendee will from time to time do and perform any other act and will execute, acknowledge, deliver, file, register, deposit and record any and all further instruments required by law or reasonably requested

by the Vendor for the purpose of proper protection, to the satisfaction of counsel for the Vendor, of its interest in the Equipment and its rights under this Agreement or for the purpose of carrying out the intention of this Agreement; and the Vendee will promptly furnish or cause to be furnished to the Vendor certificates or other evidence of such filing, registering, depositing and recording satisfactory to the Vendor.

ARTICLE 19. Article Headings; Effect and Modification of Agreement. All article headings are inserted for convenience only and shall not affect any construction or interpretation of this Agreement.

Except for the Participation Agreement, this Agreement, including the Annexes hereto, exclusively and completely states the rights of the Vendor and the Vendee with respect to the Equipment and supersedes all other agreements, oral or written, with respect to the Equipment. No variation or modification of this Agreement and no waiver of any of its provisions or conditions shall be valid unless in writing and signed by duly authorized representatives of the Vendor and the Vendee.

ARTICLE 20. Notice. Any notice hereunder to any of the parties designated below shall be deemed to be properly served if delivered or mailed to it by first class mail, postage prepaid, at the following addresses

(a) to the Vendee, at One Embarcadero Center, San Francisco, California 94111, Attention of Manager, Operations Department--LEV,

(b) to the Lessee, at 2020 Dow Center, Midland, Michigan 48640, Attention of Treasurer-Dow Chemical, U.S.A.

(c) to a Builder, at its address specified in Item 1 of Annex A hereto,

(d) to any assignee of the Vendor, or of the Vendee, at such address as may have been furnished in writing to the Vendee, or the Vendor, as the case may be, and to the Lessee, by such assignee,

or at such other address as may have been furnished in writing by such party to the other parties to this Agree-

ment.

ARTICLE 21. Immunities; Satisfaction of Undertakings. No recourse shall be had in respect of any obligation due under this Agreement, or referred to herein, against any incorporator, stockholder, director or officer, as such, past, present or future, of the parties hereto, whether by virtue of any constitutional provision, statute or rule of law, or by enforcement of any assessment or penalty or otherwise, all such liability, whether at common law, in equity, by any constitutional provision, statute or otherwise, of such incorporators, stockholders, directors or officers, as such, being forever released as a condition of and as consideration for the execution of this Agreement.

The obligations of the Vendee under the second paragraph of Article 16 and under Articles 3, 6, 7 (other than the third and fifth sentences of the second paragraph thereof to the extent that certificates or payment schedules are required to be prepared and furnished therein), 8, 9, 10, 12 (other than the proviso to the last paragraph thereof), 13 and 18 hereof shall be deemed in all respects satisfied by the Lessee's undertakings contained in the Lease. The Vendee shall not have any responsibility for the Lessee's failure to perform such obligations, but if the same shall not be performed they shall constitute the basis for an event of default hereunder pursuant to Article 15 hereof. No waiver or amendment of the Lessee's undertakings under the Lease shall be effective unless joined in by the Vendor.

ARTICLE 22. Law Governing. The terms of this Agreement and all rights and obligations hereunder shall be governed by the laws of the State of New York; provided, however, that the parties shall be entitled to all rights conferred by 49 U.S.C. § 11303 and such additional rights arising out of the filing, recording or deposit hereof, if any, and of any assignment hereof as shall be conferred by the laws of the several jurisdictions in which this Agreement or any assignment hereof shall be filed, recorded or deposited.

ARTICLE 23. Execution. This Agreement may be executed in any number of counterparts, such counterparts together constituting but one and the same contract, but the counterpart delivered to the Assignee pursuant to

the CSA Assignment shall be deemed the original and all other counterparts shall be deemed duplicates thereof. Each Builder shall be bound hereunder notwithstanding the failure of any other Builder to execute and deliver this Agreement or to perform its obligations hereunder. Although for convenience this Agreement is dated as of the date first above written, the actual date or dates of execution hereof by the parties hereto is or are, respectively, the date or dates stated in the acknowledgments hereto annexed.

IN WITNESS WHEREOF, the parties hereto have executed or caused this instrument to be executed all as of the date first above written.

ACF INDUSTRIES, INCORPORATED,

by

~~Vice President~~
TREASURER

[CORPORATE SEAL]

Attest:

Assistant Secretary

GENERAL AMERICAN TRANSPORTATION CORPORATION,

by

Vice President

[CORPORATE SEAL]

Attest:

Secretary

RICHMOND TANK CAR COMPANY,

by

[CORPORATE SEAL]

Vice President

Attest:

Secretary

SECURITY PACIFIC EQUIPMENT LEASING, INC.,

by

[CORPORATE SEAL]

Attest:

Secretary

STATE OF NEW YORK,)
) ss.:
COUNTY OF NEW YORK,)

On this 30th day of January 1981, before me personally appeared H. A. BORST, to me personally known, who, being by me duly sworn, says that he is a [redacted] of ACF INDUSTRIES, INCORPORATED, that one of the seals affixed to the foregoing instrument is the corporate seal of said Corporation, that said instrument was signed and sealed on behalf of said Corporation by authority of its Board of Directors and he acknowledged that the execution of the foregoing instrument was the free act and deed of said Corporation.

Anthony M. Romanello
Notary Public

[Notarial Seal]

ANTHONY M. ROMANELLO
Notary Public, State of New York
No. 31-4703607
Qualified in New York County
Commission Expires March 30, 1981

My Commission expires

STATE OF ILLINOIS,)
) ss.:
COUNTY OF COOK,)

On this day of 1981, before me personally appeared , to me personally known, who, being by me duly sworn, says that he is a Vice President of GENERAL AMERICAN TRANSPORTATION CORPORATION, that one of the seals affixed to the foregoing instrument is the corporate seal of said Corporation, that said instrument was signed and sealed on behalf of said Corporation by authority of its Board of Directors and he acknowledged that the execution of the foregoing instrument was the free act and deed of said Corporation.

[Notarial Seal]

Notary Public

My Commission expires

STATE OF TEXAS,)
) ss.:
COUNTY OF HARRIS,)

On this day of 1981, before me personally appeared , to me personally known, who, being by me duly sworn, says that he is a Vice President of RICHMOND TANK CAR COMPANY, that one of the seals affixed to the foregoing instrument is the corporate seal of said Corporation, that said instrument was signed and sealed on behalf of said Corporation by authority of its Board of Directors and he acknowledged that the execution of the foregoing instrument was the free act and deed of said Corporation.

[Notarial Seal] _____
Notary Public

My Commission expires

STATE OF CALIFORNIA,)
) ss.:
COUNTY OF SAN FRANCISCO,)

On this day of 1981, before me personally appeared , to me personally known, who, being by me duly sworn, says that he is of SECURITY PACIFIC EQUIPMENT LEASING, INC., that one of the seals affixed to the foregoing instrument is the corporate seal of said Corporation and that said instrument was signed and sealed on behalf of said Corporation by authority of its Board of Directors and he acknowledged that the execution of the foregoing instrument was the free act and deed of said Corporation.

[Notarial Seal] _____
Notary Public

My Commission expires

SCHEDULE I

Allocation Schedule of Each $1,000,000
of 14% CSA Indebtedness Payable
in Installments

Payment Number	Date	Debt Service	Interest Payment	Principal Recovery	Rema Prin Bal
Interim	30 Jun 81	$ *	$ *	$ 0.00	$1,000
1	30 Dec 81	74,869.75	70,000.00	4,869.75	995
2	30 Jun 82	74,869.75	69,659.12	5,210.63	989
3	30 Dec 82	74,869.75	69,294.37	5,575.38	984
4	30 Jun 83	74,869.75	68,904.10	5,965.65	978,
5	30 Dec 83	74,869.75	68,486.50	6,383.25	971,
6	30 Jun 84	74,869.75	68,039.67	6,830.08	965,
7	30 Dec 84	74,869.75	67,561.57	7,308.18	957,
8	30 Jun 85	74,869.75	67,050.00	7,819.75	950,
9	30 Dec 85	74,869.75	66,502.61	8,367.14	941,
10	30 Jun 86	74,869.75	65,916.91	8,952.84	932,
11	30 Dec 86	74,869.75	65,290.21	9,579.54	923,
12	30 Jun 87	74,869.75	64,619.65	10,250.10	912,
13	30 Dec 87	74,869.75	63,902.14	10,967.61	901,
14	30 Jun 88	74,869.75	63,134.41	11,735.34	890,
15	30 Dec 88	74,869.75	62,312.93	12,556.82	877,
16	30 Jun 89	74,869.75	61,433.96	13,435.79	864,
17	30 Dec 89	74,869.75	60,493.45	14,376.30	849,
18	30 Jun 90	74,869.75	59,487.11	15,382.64	834,
19	30 Dec 90	74,869.75	58,410.32	16,459.43	817,
20	30 Jun 91	74,869.75	57,258.16	17,611.59	800,
21	30 Dec 91	91,507.46	56,025.35	35,482.11	764,
22	30 Jun 92	82,358.95	53,541.61	28,817.34	736,
23	30 Dec 92	78,591.01	51,524.39	27,066.62	708,
24	30 Jun 93	75,469.39	49,629.73	25,839.66	683,
25	30 Dec 93	72,386.64	47,820.95	24,565.69	658,
26	30 Jun 94	70,323.25	46,101.35	24,221.90	634,
27	30 Dec 94	68,300.19	44,405.82	23,894.37	610,
28	30 Jun 95	67,266.82	42,733.22	24,533.60	585,
29	30 Dec 95	66,242.66	41,015.86	25,226.80	560,
30	30 Jun 96	65,197.59	39,249.99	25,947.60	534,
31	30 Dec 96	64,124.21	37,433.66	26,690.55	508,
32	30 Jun 97	63,097.13	35,565.32	27,531.81	480,
33	30 Dec 97	62,041.30	33,638.09	28,403.21	452,
34	30 Jun 98	61,025.99	31,649.87	29,376.12	422,
35	30 Dec 98	77,159.57	29,593.54	47,566.03	375,
36	30 Jun 99	91,507.46	26,263.91	65,243.55	309,
37	30 Dec 99	91,507.46	21,696.87	69,810.59	240,
38	30 Jun 00	91,507.46	16,810.12	74,697.34	165,
39	30 Dec 00	91,507.46	11,581.31	79,926.15	85,
40	30 Jun 01	91,507.63	5,986.48	85,521.15	
Totals		$3,020,024.63	$2,020,024.63	$1,000,000.00	$

* Interest only on the CSA Indebtedness shall be payable to the extent accrued on this date.

Annex A

to

Conditional Sale Agreement

Item 1: (a) ACF Industries, Incorporated, 750 Third Avenue, New York, New York 10017.

(b) General American Transportation Corporation, 120 South Riverside Plaza, Chicago, Illinois 60606, attention of Law Department.

(c) Richmond Tank Car Company, 1700 West Loop South (Suite 1500), Houston, Texas 77027, Attention of Jim F. Herring, Vice President.

Item 2: Unless the parties shall otherwise agree, the Equipment shall be settled for in not more than five Groups. It is expected that Closing Dates shall occur on or about February 17, 1981, March 4, 1981, and on or about the 15th of every month thereafter (but in no event after the Final Closing Date) until such time as all of the Equipment shall have been settled for.

Item 3: Each Builder warrants that the Equipment built by it will be built in accordance with the requirements, Specifications and standards set forth in Article 2 of the CSA to which this Annex A is attached (this "Agreement") and warrants its Equipment will be free from defects in material (except as to specialties incorporated therein which were specified or supplied by the Lessee and not manufactured by such Builder) and workmanship under normal use and service. If any unit of the Equipment covered by the above warranty does not meet the above warranty, within one year after the date of the acceptance of such unit by the Vendee, such Builder shall thereupon correct such defect (including nonconformance with the requirements, Specifications and standards set forth in Article 2 of this Agreement), either by (1) repairing or replacing such defective part or parts of any unit of the Equipment, provided that the Vendor or the Lessee notifies such Builder in writing promptly after discovery of such defect, and at the expense of the Lessee, makes such defective unit or units of the Equipment promptly available at such Builder's plant for any repair, or by (2) making available at such Builder's plant

the necessary repaired or replacement parts, as appropriate and agreed to by the parties. EXCEPT FOR THE OBLIGATIONS AND LIABILITIES OF EACH BUILDER UNDER ARTICLES 2, 3, 4 AND 13 OF THE AGREEMENT, THE FOREGOING WARRANTY OF EACH BUILDER IS EXPRESSLY IN LIEU OF ALL OTHER WARRANTIES, EXPRESS OR IMPLIED, INCLUDING ANY IMPLIED WARRANTY OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE, LIABILITY FOR LOST PROFIT OR FOR INDIRECT, INCIDENTAL, CONSEQUENTIAL OR COMMERCIAL LOSSES, AND OF ALL OTHER OBLIGATIONS OR LIABILITIES, AND NO BUILDER ASSUMES OR AUTHORIZES ANY PERSON TO ASSUME FOR IT ANY OTHER LIABILITY IN CONNECTION WITH THE CONSTRUCTION AND DELIVERY OF THE EQUIPMENT EXCEPT AS AFORESAID. IT IS FURTHER UNDERSTOOD AND AGREED THAT IN NO EVENT SHALL ANY BUILDER BE LIABLE FOR INDIRECT OR CONSEQUENTIAL DAMAGES OF ANY KIND.

Each Builder further agrees that neither the inspection as provided in Article 3 of this Agreement nor any examination nor the acceptance of any units of the Equipment as provided in said Article 3 shall be deemed a waiver or a modification by the Vendee of any of its rights under this Item 3.

Item 4: Each Builder agrees to indemnify, protect and hold harmless the Vendee and the Lessee from and against any and all liability, claims, costs, charges and expenses, including royalty payments and counsel fees, in any manner imposed upon or accruing against the Vendee or the Lessee because of the use in or about the construction or operation of any of its Equipment of any design, system, process, formula, combination, article or material which infringes or is claimed to infringe on any patent or other right, except any and all liability, claims, costs, charges and expenses, including royalty payments and counsel fees, in any manner imposed upon or accruing against the Vendee or the Lessee because of the use in or about the construction or operation of any of its Equipment of any design, system, process, formula, combination specified by the Lessee and not developed or purported to be developed by such Builder or any article or material specified by

the Lessee and not manufactured by such Builder. Each Builder agrees to and hereby does, to the extent legally possible without impairing any claim, right or cause of action hereinafter referred to, assign, set over and deliver to the Lessee every claim, right and cause of action which such Builder has or hereafter shall have against the seller or sellers of any designs, systems, processes, formulae, combinations, articles or materials specified by the Lessee and purchased or otherwise acquired by such Builder for use in or about the construction or operation of any of the Equipment, on the ground that any such design, system, process, formula, combination, article or material or operation thereof infringes or is claimed to infringe on any patent or other right. Such covenants of indemnity shall continue in full force and effect notwithstanding the full payment of all sums due under this Agreement, the satisfaction and discharge of this Agreement or the termination of this Agreement in any manner.

Item 5: The Maximum Purchase Price referred to in Article 4 of the CSA to which this Annex A is attached is $10,352,794.

Item 6: The Maximum CSA Indebtedness referred to in Article 4 of the CSA to which this Annex A is attached is $7,260,000.

Annex B
to
Conditional Sale Agreement

Type	AAR Mechanical Designation	Builder's Specifications	Builder's Plant	Quantity	Lessee's Road Numbers (Both Inclusive)	Estimated Unit Base Price	Estimated Total Base Price	Estimated Time and Place of Delivery
GATX 100-ton caustic soda tank cars	DOT 111A 100W-1	15,950 gal.	Sharon, Pa.	55	DOWX 7030-7084	$54,785	$3,013,175	Sharon, Pa., February and March 1981
GATX ethanolamine tank cars	DOT 111A 100W-6	20,000 gal.	Sharon, Pa.	7	DOWX 3264-3270	124,800	873,600	Sharon, Pa., February and March 1981
GATX 100-ton ethylene oxide tank cars	DOT 105A 300-W	25,000 gal.	Sharon, Pa.	23	DOWX 8402-8424	67,900	1,561,700	Sharon, Pa., February and March 1981
ACF 100-ton CF 2980 centerflow covered hopper cars	L-151	12-01075	Huntington, W. Va.	47	DOWX 2711-2757	42,000	1,974,000	January and February 1981 FOB Huntington W.Va. with deliery to common carrier for shipment to Brady, Texas
ACF 100-ton 25,000 gal. tank cars	T-527	18-15435	Milton, Pa.	13	DOWX 8465-8477	68,548	891,124	January and February 1981 Milton, Pa.
RTCC *Muriatic acid tank cars 28,000 gal. nominal capacity	T	20.ORC-Z	Sheldon, Tex.	18	DOWX 6856-6873	58,600	1,054,800	February and March 1981 Sheldon, Tex.
				163			$9,368,399	

ANNEX C
TO
CONDITIONAL SALE
AGREEMENT

[CS&M Ref: 2044-090]

LEASE OF RAILROAD EQUIPMENT

Dated as of January 1, 1981

Between

THE DOW CHEMICAL COMPANY,
Lessee,

And

SECURITY PACIFIC EQUIPMENT LEASING, INC.,
Lessor.

The rights and interests of the Lessor under this Lease are subject to a security interest in favor of Mercantile-Safe Deposit and Trust Company, as Agent for certain institutional investors. The original of this Lease is held by said Agent.

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LEASE OF RAILROAD EQUIPMENT dated as of January 1, 1981, between THE DOW CHEMICAL COMPANY, a Delaware corporation (the "Lessee"), and SECURITY PACIFIC EQUIPMENT LEASING, INC., a Delaware corporation (the "Lessor").

The Lessor is entering into a Conditional Sale Agreement dated as of the date hereof (the "CSA") with ACF INDUSTRIES, INCORPORATED, a New Jersey corporation, GENERAL AMERICAN TRANSPORTATION CORPORATION, a New York corporation, and RICHMOND TANK CAR COMPANY, a Delaware corporation (the "Builders"), by which the Builders have agreed to manufacture, sell and deliver to the Lessor the units of railroad equipment described in Schedule A hereto (the "Equipment").

The Builders are assigning their respective interests in the Security Documentation to Mercantile-Safe Deposit and Trust Company, a Maryland banking corporation, acting as agent (together with its successors and assigns the "Vendor") under a Participation Agreement dated as of the date hereof (the "Participation Agreement") with the Lessee, the Lessor and the parties named in Schedule A thereto (the "Investors").

The Lessee desires to lease such number of units of the Equipment as are delivered and accepted under the CSA (the "Units") at the rentals and for the terms and upon the conditions hereinafter provided.

The Lessor will assign this Lease for security to the Vendor pursuant to an Assignment of Lease and Agreement (the "Lease Assignment") and the Lessee will consent to the Lease Assignment pursuant to a Lessee's Consent and Agreement (the "Consent").

The Lessee will indemnify the Lessor against certain losses, liabilities and expenses pursuant to an indemnity agreement (the "Indemnity Agreement") substantially in the form of Exhibit C to the Participation Agreement.

NOW, THEREFORE, in consideration of the premises and of the rentals to be paid and the covenants hereinafter

mentioned to be kept and performed by the Lessee, the Lessor hereby leases the Units to the Lessee upon the following terms and conditions:

§ 1. Net Lease. This Lease is a net lease, and the Lessee shall not be entitled to any abatement of rent, reduction thereof or setoff against rent, including, but not limited to, abatements, reductions or setoffs due or alleged to be due by reason of any past, present or future claims of the Lessee against the Lessor under this Lease or under the CSA, or against any Builder or the Vendor or otherwise; nor, except as otherwise expressly provided herein, shall this Lease terminate, or the respective obligations of the Lessor or the Lessee be otherwise affected, by reason of any defect in or damage to or loss of possession or loss of use or destruction of all or any of the Units from whatsoever cause, any liens, encumbrances or rights of others with respect to any of the Units, the prohibition of or other restriction against the Lessee's use of all or any of the Units, the interference with such use by any person or entity, the invalidity or unenforceability or lack of due authorization of this Lease, any insolvency of or any bankruptcy, reorganization or similar proceeding against the Lessee, or for any other cause whether similar or dissimilar to the foregoing, any present or future law to the contrary notwithstanding, it being the intention of the parties hereto that the rents and other amounts payable by the Lessee hereunder shall continue to be payable in all events in the manner and at the times herein provided unless the obligation to pay the same shall be terminated pursuant to the express provisions of this Lease. To the extent permitted by applicable law, the Lessee hereby waives any and all rights which it may now have or which at any time hereafter may be conferred upon it, by statute or otherwise, to terminate, cancel, quit or surrender the lease of any of the Units except in accordance with the express terms hereof. Each rental or other payment made by the Lessee hereunder shall be final, and the Lessee shall not seek to recover all or any part of such payment from the Lessor for any reason whatsoever.

§ 2. Delivery and Acceptance of Units. The Lessor hereby appoints the Lessee its agent for inspection and acceptance of the Units pursuant to the CSA. The Lessor will cause each Unit to be delivered to the Lessee at the point or points within the United States of America at which such Unit is delivered to the Lessor under

the CSA. Upon such delivery, the Lessee will cause an employee of the Lessee to inspect the same, and if such Unit is found to be acceptable, to accept delivery of such Unit, and the Lessee shall execute and deliver to the Lessor a certificate of acceptance (the "Certificate of Acceptance"), in accordance with the provisions of Article 3 of the CSA, stating that such Unit has been inspected and accepted on behalf of the Lessee and the Lessor on the date of such Certificate of Acceptance and is marked in accordance with § 5 hereof, whereupon, except as provided in the next sentence hereof, such Unit shall be deemed to have been delivered to and accepted by the Lessee and shall be subject thereafter to all the terms and conditions of this Lease. The delivery, inspection and acceptance hereunder of any unit of Equipment excluded from the CSA pursuant to the first paragraph of Article 4 thereof shall be null and void and ineffective to subject such unit to this Lease. The inspection and acceptance by the Lessee of any Unit shall not in any way release any rights which the Lessee may have against the Builder thereof under any warranty relating to such Unit.

§ 3. Rentals. The Lessee agrees to pay to the Lessor, as rental for each Unit subject to this Lease, 40 consecutive semiannual payments payable on January 1 and July 1 of each year, commencing on January 1, 1982, to and including July 1, 2001. The 40 semiannual rental payments shall be each in an amount equal to the Semi-Annual Lease Factor (as hereinafter defined) of the Purchase Price (as defined in the CSA) of each Unit then subject to this Lease. As used herein the term "Semi-Annual Lease Factor" means (a) with respect to each of the first 20 semiannual rental payments, 5.250338% and (b) with respect to the last 20 semiannual rental payments, 6.417079% of the Purchase Price of each Unit then subject to this Lease. The Lessee acknowledges that the semiannual rentals, Casualty Values and Termination Values have been computed without taking into account the costs and expenses that the Lessor is obligated to pay pursuant to clause (ii) of Paragraph 11 of the Participation Agreement, and any Investment Deficiency paid pursuant to the third paragraph of Paragraph 2 of the Participation Agreement and any payments paid by the Lessor pursuant to the clause (b) of the first paragraph and in clause (a) of the last paragraph of Paragraph 8 of the Participation Agreement and any payments to the Lessor pursuant to the last sentence of the second paragraph of said Paragraph 8. At such time

as the full amount of such costs, expenses and payments are known to the Lessor, the Lessee agrees that semiannual rentals, Casualty Values and Termination Values shall be adjusted as may be necessary in the reasonable opinion of the Lessor so that the semiannual rentals, Casualty Values and Termination Values payable by the Lessee hereunder shall be sufficient to maintain the Lessor's after tax return on, and rate of recovery of, investment and total cash flows (computed on the same assumptions as utilized by the Lessor in originally evaluating this Lease) at the same level that would have been available to the Lessor before taking such costs, expenses and payments into account and so that the Lessor receives such costs, expenses and payments over the remaining original term of this Lease with interest at the rate of 14% per annum.

Notwithstanding anything to the contrary set forth herein, the rentals, the Casualty Values (set forth in Schedule B hereto) and the Termination Values (set forth in Schedule C hereto) shall at all times be sufficient to satisfy the obligations of the Lessor under the CSA.

If any of the rental payment dates referred to above is not a business day the semiannual rental payment otherwise payable on such date shall be payable on the next succeeding business day. The term "business day" as used herein means a calendar day, excluding Saturdays, Sundays and any other day on which banking institutions in New York, New York, San Francisco, California, Chicago, Illinois, or Baltimore, Maryland, are authorized or obligated to remain closed.

The Lessor irrevocably instructs the Lessee to make all the payments provided for in this Lease, including, but not limited to, the payments provided for in this § 3 and in § 7 hereof, at the principal office of the Vendor, for the account of the Lessor in care of the Vendor, with instructions to the Vendor first, to apply such payments to satisfy the obligations of the Lessor under the CSA, and second, so long as no event of default or event which with the lapse of time and/or demand provided for in the CSA would constitute an event of default under the CSA shall have occurred and be continuing, to pay any balance promptly to the Lessor at such place as the Lessor shall specify in writing. The Lessee agrees to make each payment provided for herein as contemplated by this paragraph in immediately available funds to the Vendor by 11:00 a.m., Vendor's time, on the date such payment is

due.

All amounts earned in respect of the Units (including, without limitation, mileage charges) during the term of this Lease shall belong to the Lessee and, if received by the Lessor, shall be promptly turned over to the Lessee so long as no Default exists hereunder.

§ 4. Term of Lease. The term of this Lease as to each Unit shall begin on the date of delivery and acceptance of such Unit hereunder and, subject to the provisions of §§ 7, 10 and 13 hereof, shall terminate on the date on which the final payment of rent in respect thereof is due pursuant to § 3 hereof. The obligations of the Lessee hereunder (including, but not limited to, the obligations under §§ 6, 7, 9 and 14 hereof) shall survive the expiration of the term of this Lease.

Notwithstanding anything to the contrary contained herein, all rights and obligations of the Lessee under this Lease and in and to the Units are subject to the rights of the Vendor under the CSA. If an event of default should occur under the CSA, the Vendor may terminate this Lease or rescind its terms, all as provided therein; provided, however, that so long as (i) no Event of Default exists hereunder, (ii) the Lessee is complying with the provisions of the Consent and (iii) the Vendor is entitled to apply the Payments (as defined in the Lease Assignment) in accordance with the Lease Assignment, this Lease may not be terminated and the Lessee shall be entitled to the rights of possession, use and assignment under § 12 hereof.

§ 5. Identification Marks. The Lessee will cause each Unit to be kept numbered with the road number set forth in Schedule A hereto, or in the case of any Unit not there listed, such road number as shall be set forth in any amendment or supplement hereto extending this Lease to cover such Unit, and will keep and maintain, plainly, distinctly, permanently and conspicuously marked on each side of each Unit, in letters not less than one-half inch in height, the words "Ownership subject to a Security Agreement Filed with the Interstate Commerce Commission" or other appropriate words designated by the Vendor, with appropriate changes thereof and additions thereto as from time to time may be required by law in order to protect the Lessor's and Vendor's title to and interest in such Unit and the rights of the Lessor under this Lease and of the

rights of the Vendor under the CSA. The Lessee will not place any such Unit in operation or exercise any control or dominion over the same until such words shall have been so marked and will replace promptly any such markings which may be removed, obliterated, defaced or destroyed. The Lessee will not change the road number of any Unit unless and until (i) a statement of new number or numbers to be substituted therefor shall have been filed with the Vendor and the Lessor and duly filed, recorded and deposited by the Lessee in all public offices where this Lease and the CSA shall have been filed, recorded and deposited and (ii) the Lessee shall have furnished the Vendor and the Lessor an opinion of counsel to such effect. The Units may be lettered with the names or initials or other insignia customarily used by the Lessee or its affiliates or any permitted sublessee; but the Lessee will not allow the name of any other person, association or corporation to be placed on any Unit as a designation that might be interpreted as a claim of ownership.

§ 6. Taxes. All payments to be made by the Lessee hereunder will be free of expense to the Lessor for collection or other charges and will be free of expense to the Lessor with respect to the amount of any local, state, Federal or foreign taxes (other than any state franchise taxes and United States Federal net income tax payable by the Lessor in consequence of the receipt of payments provided for herein and other than the aggregate of all state or local taxes measured by net income based on such receipts, except any such tax which is in substitution for or relieves the Lessee from the payment of taxes which it would otherwise be obligated to pay or reimburse as herein provided) or license fees, assessments, charges, fines or penalties (all such expenses, taxes, license fees, assessments, charges, fines and penalties being hereinafter called "Impositions") hereafter levied or imposed upon or in connection with or measured by this Lease or any sale, rental, use, payment, shipment, delivery or transfer of title under the terms hereof or the CSA, all of which Impositions the Lessee assumes and agrees to pay before they become delinquent in addition to the payments to be made by it provided for herein. The Lessee will also pay before they become delinquent all Impositions which may be imposed upon any Unit or for the use or operation thereof (except as provided above) or upon the earnings arising therefrom (except as provided above) or upon the Lessor solely by reason of its ownership thereof and will keep

at all times all and every part of such Unit free and clear of all Impositions which might in any way affect the title of the Lessor or result in a lien upon any such Unit; provided, however, that the Lessee shall not be under any obligation to pay any Impositions of any kind so long as it is contesting in good faith and by appropriate legal or administrative proceedings such Impositions and the nonpayment thereof does not, in the reasonable opinion of the Lessor, adversely affect the title, property or rights of the Lessor hereunder or the Lessor or the Vendor under the CSA. The Lessee agrees to give the Lessor notice of such contest within 30 days after institution thereof, and the Lessor agrees to provide such information as may be reasonably requested by the Lessee in furtherance of such contest. If any Impositions shall have been charged or levied against the Lessor directly and paid by the Lessor, the Lessee shall reimburse the Lessor on presentation of an invoice therefor; provided, however, that the Lessor shall have given the Lessee written notice of such Imposition prior to such payment.

In the event that the Lessor shall become obligated to make any payment pursuant to Article 6 of the CSA to any Builder or the Vendor or otherwise pursuant to any correlative provision of the CSA, the Lessee shall pay such additional amounts (which shall also be deemed Impositions hereunder) to the Lessor as will enable the Lessor to fulfill completely its obligations pursuant to said provision.

In the event any reports with regard to Impositions are required to be made, the Lessee will, where permitted so to do under applicable rules or regulations, make and timely file such reports in such manner as to show the interest of the Lessor and the Vendor as shall be reasonably satisfactory to the Lessor and the Vendor or, where not so permitted, will notify the Lessor and the Vendor of such requirement and will prepare and deliver such reports to the Lessor and the Vendor within a reasonable time prior to the time such reports are to be filed in such manner as shall be satisfactory to the Lessor and the Vendor.

In the event that, during the continuance of this Lease, the Lessee becomes liable for the payment or reimbursement of any Imposition, pursuant to this § 6, such liability shall continue, notwithstanding the expiration of

this Lease, until all such Impositions are paid or reimbursed by the Lessee.

To the extent the Lessee may be prohibited by law from performing in its own name the duties required by this § 6, the Lessor hereby authorizes the Lessee to act in the Lessor's own name and on the Lessor's behalf to perform such duties (but only with counsel reasonably satisfactory to the Lessor); provided, however, that the Lessee shall indemnify and hold the Lessor harmless from and against any and all claims, costs, expenses, damages, losses and liabilities incurred in connection therewith as a result of, or incident to, any action by the Lessee pursuant to this authorization.

The Lessee shall, whenever reasonably requested by the Lessor, submit to the Lessor copies of returns, statements, reports, billings and remittances, or furnish other evidence satisfactory to the Lessor of the Lessee's performance of its duties under this § 6. The Lessee shall also furnish promptly upon request such data as the Lessor may reasonably require to permit the Lessor's compliance with the requirements of taxing jurisdictions.

§ 7. Maintenance, Casualty Occurrences, Insurance and Termination. (a) The Lessee agrees that, at its own cost and expense, it will maintain and keep each Unit which is subject to this Lease in good operating order, repair and condition.

(b) In the event that any Unit shall be or become worn out, lost, stolen, destroyed, or irreparably damaged, from any cause whatsoever, returned to the Builder pursuant to the patent indemnity provisions of the CSA, or taken or requisitioned by condemnation or otherwise resulting in loss of possession by the Lessee for a period of 90 consecutive days, except requisition for use by the United States Government (any such occurrence being hereinafter called a "Casualty Occurrence"), prior to the return of such Unit in the manner set forth in § 14 hereof, the Lessee shall promptly and fully notify the Lessor and the Vendor with respect thereto. On the rental payment date next succeeding such notice (the "Casualty Date"), the Lessee shall pay to the Lessor an amount equal to the rental payment or payments in respect of such Unit due and payable on such date plus a sum equal to the Casualty Value (as defined in the next paragraph) of such Unit as of the

date of such payment in accordance with the schedule referred to below. Upon the making of such payment by the Lessee in respect of any Unit, the rental for such Unit shall cease to accrue, the term of this Lease as to such Unit shall terminate and (except in the case of the loss, theft, complete destruction or return to the Builder of such Unit) the Lessor shall be entitled to recover possession of such Unit. The Lessor hereby appoints the Lessee its agent to dispose of any Unit suffering a Casualty Occurrence or any component thereof, at the best price obtainable under the circumstances on an "as is, where is" basis. Provided that the Lessee has previously paid the Casualty Value to the Lessor, the Lessee shall be entitled to the proceeds of such sale (after deduction of all selling costs) to the extent they do not exceed the Casualty Value of such Unit, and shall pay any excess to the Lessor. The Lessee shall be entitled to credit against the Casualty Value payable in respect of any Unit returned to the Builder pursuant to the patent indemnity provisions of the CSA in an amount equal to any payment made by the Builder to the Lessor in respect thereof under the CSA.

The Casualty Value of each Unit as of the payment date on which payment is to be made as aforesaid shall be that percentage of the Purchase Price of such Unit as is set forth in Schedule B hereto opposite such date.

Whenever any Unit shall suffer a Casualty Occurrence after termination of this Lease and before such Unit shall have been returned in the manner provided in § 14 hereof, the Lessee shall promptly and fully notify the Lessor with respect thereto and pay to the Lessor an amount equal to the Casualty Value of such Unit, which shall be an amount equal to 55.72901% of the Purchase Price of such Unit, or, in the case of Units suffering a Casualty Occurrence after termination of a renewal term (as provided in § 13 hereof), such other percentage of the Purchase Price as shall be agreed.

(c) In the event of the requisition for use by the United States Government (the "Government") of any Unit during the term of this Lease or any renewal thereof all the Lessee's obligations under this Lease with respect to such Unit shall continue to the same extent as if such requisition had not occurred, except that if such Unit is returned by the Government at any time after the end of the term of this Lease or any renewal thereof, the Lessee shall be obligated to return such Unit to the Lessor pursuant to § 11 or 14 hereof, as the case may be, promptly upon such return by the Government rather than at the end of the term

of this Lease or any renewal thereof, but the Lessee shall in all other respects comply with the provisions of said § 11 or 14, as the case may be, with respect to such Unit. All payments received by the Lessor or the Lessee from the Government for the use of such Unit during the term of this Lease or any renewal thereof shall be paid over to, or retained by, the Lessee provided no Event of Default (or other event which after notice or lapse of time or both would become an Event of Default) shall have occurred and be continuing; and all payments received by the Lessor or the Lessee from the Government for the use of such Unit after the term of this Lease or any renewal thereof, shall be paid over to, or retained by, the Lessor.

(d) Except as hereinabove in this § 7 provided, the Lessee shall not be released from its obligations hereunder in the event of, and shall bear the risk of, any Casualty Occurrence to any Unit from and after delivery and acceptance thereof by the Lessee hereunder.

From the time any Unit is accepted by the Lessee to the end of the term of this Lease, Lessee shall:

(i) at its option, either provide insurance coverage for, or self assume, in whole or in part, the risks of actual or constructive loss or damage to one or more of the Units up to the Casualty Value thereof, and

(ii) provide adequate public liability insurance (in limits of at least $50,000,000) for personal injuries, death, or property damage resulting from the ownership, maintenance, use or operation of the Units.

Each of the insurance policies providing said coverage shall:

(i) name the Lessor and the Vendor as additional insureds as their respective interests may appear;

(ii) as between Lessee and Lessor and Vendor all such insurance shall be primary insurance and not excess over any other coverage which Lessor or Vendor, or both, may have; provided, however, that nothing herein shall be deemed to require Lessee's insurance carriers to provide coverage for, or otherwise indem-

nify Lessor or Vendor for, any losses caused respectively by Lessor's or Vendor's own actions or negligence; and

(iii) provide that the policy may not be canceled or materially altered without 30 days' prior written notice to the Lessor and the Vendor.

The Lessee shall provide the Lessor and the Vendor with a certificate or certificates evidencing the aforesaid coverage prior to the first Closing Date (as defined in the CSA).

In the event of failure on the part of the Lessee to provide and furnish any of the aforesaid insurance, the Lessor or the Vendor, upon notice to the Lessee, may, but shall not be obligated to, procure such insurance and the Lessee shall, upon demand, reimburse the Lessor and the Vendor for all expenditures made by the Lessor or the Vendor for such insurance, together with interest thereon computed at the maximum rate of interest permitted by law, but no more than 15% per annum, from the date of the Vendor's or the Assignee's payment until reimbursed by the Lessee.

(e) If the Lessor shall receive any insurance proceeds from insurance maintained by the Lessee pursuant hereto or condemnation payments in respect of a Unit suffering a Casualty Occurrence, the Lessor shall, subject to the Lessee having made payment of the Casualty Value in respect of such Unit, pay such proceeds or condemnation payments to the Lessee up to an amount equal to the Casualty Value paid by the Lessee, and any balance of such proceeds or condemnation payments shall remain the property of the Lessor. All insurance proceeds received by the Lessor in respect of any Unit not suffering a Casualty Occurrence shall be paid to the Lessee upon Lessee's notification to the Lessor that any damage to such Unit in respect of which such proceeds were paid has been fully repaired.

(f) In the event that the Lessee shall, in its reasonable judgment, determine that any Group (as hereinafter defined) of Units has become surplus to its need or obsolete in the Lessee's business, the Lessee shall have the right, at its option and on at least 90 days' prior written notice to the Lessor, to terminate (herein called

either a "Surplus Termination" or an "Obsolescence Termination" as the case may be) this Lease as to such Group as of any succeeding rent payment date specified in such notice (the "Termination Date"); provided, however, that (i) the Termination Date shall not be earlier than January 1, 1992, (ii) no Event of Default or other event which after the lapse of time or notice or both would become an Event of Default shall have occurred and be continuing and (iii) on the Termination Date each Unit in such Group shall be in the same condition as if being redelivered pursuant to § 14 hereof. For this purpose, the term "Group of Units" shall mean all Units with the same Builder's Specifications (as set forth in Schedule A hereto) subject to this Lease at the Termination Date.

During the period from the 30th day after the giving of such notice until the fifth business day preceding the Termination Date, the Lessee shall use its best efforts to obtain bids for the purchase of all Units in such Group, and the Lessee shall at least five business days prior to such Termination Date certify to the Lessor the amount of each such bid and the name and address of the party (which shall not be a corporation or individual affiliated with the Lessee or any party from whom the Lessee or any such affiliate intends thereafter to lease such Unit) submitting such bid. On the Termination Date the Lessor shall sell all Units in such Group for cash to the bidder who shall have submitted the highest bid prior to the Termination Date. The total sale price realized at each such sale shall be applied to the prepayment of the CSA Indebtedness in accordance with Article 7 of the CSA and any balance shall be retained by the Lessor.

On such Termination Date, the Lessee shall pay to the Lessor (i) the excess, if any, of the Termination Value for each such Unit computed as of such date over the sale price of such Unit after the deduction of all expenses incurred by the Lessor in connection with such sale, (ii) the rental payment due on such Termination Date and (iii) in the case of a Surplus Termination, an amount equal to the prepayment premium, if any, payable pursuant to Article 7 of the CSA on such date in respect of the CSA Indebtedness to be prepaid by the Lessor on such date. The Termination Value of each such Unit as of the payment date on which payment is to be made shall be that percentage of the Purchase Price of such Unit as is set forth in Schedule C hereto opposite such date. In no event shall the aggre-

gate amount retained by the Lessor and received by the Lessor as aforesaid be less than the Termination Value (as defined in the CSA) as of such date.

If no sale shall occur on the date scheduled therefor as provided above, this Lease shall continue in full force and effect without change unless and until the Lessee pays to the Lessor the Termination Value of each Unit subject to the Termination and returns each such Unit to the Lessor pursuant to § 14 hereof; provided, however, that this Lease shall not terminate as to any such Unit unless the CSA Indebtedness in respect of such Unit is prepaid on the Termination Date pursuant to Article 7 of the CSA.

In the event of any such sale and the receipt by the Lessor of the amounts above described, the obligation of the Lessee to pay rent pursuant to § 3 hereof in respect of such Unit on each rental payment date shall continue to and including the Termination Date but shall then terminate. The Lessor shall be under no duty to solicit bids, to inquire into the efforts of the Lessee to obtain bids or otherwise to take any action or incur any cost or expense in connection with any sale other than to transfer or to cause to be transferred all the Lessor's right, title and interest in and to such Unit to the purchaser named in the highest bid certified by the Lessee to the Lessor as above provided. Any such sale shall be free and clear of all the Lessee's rights to such Unit, but otherwise shall be made without warranties other than against the Lessor's acts.

If the Lessee shall exercise its option to terminate as to any Unit, the Lessor may, notwithstanding such election by the Lessee, by written notice to the Lessee given 90 days after the termination notice is given to the Lessor, elect to retain such Unit, in which case the Lessee shall not be obligated to pay the Termination Value to the Lessor; provided, however, that this Lease shall not terminate as to such Unit unless the CSA Indebtedness in respect of such Unit is prepaid on the Termination Date pursuant to Article 7 of the CSA. In the event the Lessor shall so elect to retain such Unit, the Lessee shall deliver such Unit to the Lessor in accordance with the provisions of § 14 hereof.

§ 8. Reports. On or before April 30 in each

year, commencing with the calendar year 1982, the Lessee will furnish to the Lessor and the Vendor an accurate statement (a) setting forth as at the preceding December 31 the amount, description and numbers of all Units then leased hereunder and covered by the CSA, the amount, description and numbers of all Units that have suffered a Casualty Occurrence during the preceding calendar year or are then undergoing repairs (other than running repairs) or then withdrawn from use pending such repairs (other than running repairs) and such other information regarding the condition and state of repair of the Units as the Lessor or the Vendor may reasonably request and (b) stating that, in the case of all Units repainted or repaired during the period covered by such statement, the numbers and markings required by § 5 hereof and by the CSA have been preserved or replaced. In furnishing the portion of any such statement referred to in (a) above, the Lessee may, to the extent reasonably appropriate, incorporate information by reference to another document; provided, however, that a copy of any incorporated document (or relevant portions thereof) shall also be furnished to the Lessor and the Vendor with any such statement. The Lessor, at its sole cost and expense, and subject to Lessee's applicable secrecy, safety and security regulations for the property involved, shall have the right by its agents, to inspect the Units and the Lessee's records with respect to matters reasonably related hereto at such reasonable times as the Lessor may request during the continuance of this Lease.

§ 9. Disclaimer of Warranties; Compliance with Laws and Rules; Indemnification. THE LESSOR MAKES NO WARRANTY OR REPRESENTATION, EITHER EXPRESS OR IMPLIED, AS TO THE DESIGN OR CONDITION OF, OR AS TO THE QUALITY OF THE MATERIAL, EQUIPMENT OR WORKMANSHIP IN, THE UNITS DELIVERED TO THE LESSEE HEREUNDER, AND THE LESSOR MAKES NO WARRANTY OF MERCHANTABILITY OR FITNESS OF THE UNITS FOR ANY PARTICULAR PURPOSE OR AS TO TITLE TO THE UNITS OR ANY COMPONENT THEREOF, OR ANY OTHER REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, WITH RESPECT TO ANY UNIT, EITHER UPON DELIVERY THEREOF TO THE LESSEE OR OTHERWISE, it being agreed that all such risks, as between the Lessor and the Lessee, are to be borne by the Lessee; but the Lessor hereby irrevocably appoints and constitutes the Lessee its agent and attorney-in-fact during the term of this Lease to assert and enforce from time to time, in the name of and for the account of the Lessor and/or the Lessee, as their interests may appear, at the Lessee's sole cost and expense, whatever claims and rights the Lessor may have against any Builder under the provisions of Items 3 and 4

of Annex A of the CSA and any proceeds received by the Lessor in respect thereof shall be immediately paid over to the Lessee; provided, however, that if at any time an Event of Default shall have occurred and be continuing, the Lessor may upon written notice to the Lessee assert and enforce, at the Lessee's sole cost and expense, such claims and rights and receive the benefits of any such proceeds. The Lessor shall have no responsibility or liability to the Lessee or any other person with respect to any of the following: (i) any liability, loss or damage caused or alleged to be caused directly or indirectly by any Units or by any inadequacy thereof or deficiency or defect therein or by any other circumstances in connection therewith; (ii) the use, operation or performance of any Units or any risks relating thereto; (iii) any interruption of service, loss of business or anticipated profits or consequential damages; or (iv) the delivery, operation, servicing, maintenance, repair, improvement or replacement of any Units. The Lessee's delivery of a Certificate of Acceptance shall be conclusive evidence as between the Lessee and the Lessor that the Units described therein are in all the foregoing respects satisfactory to the Lessee, and the Lessee will not assert any claim of any nature whatsoever against the Lessor based on any of the foregoing matters.

The Lessee shall notify Lessor of, and shall, at the Lessee's sole cost and expense, make or provide all improvements, alterations, modifications, additions, attachments, or other equipment, or changes (hereinafter collectively called "Improvements") to the Units or any of them deemed necessary or desirable by any Federal, state or local governmental body or agency or the interchange rules of the Association of American Railroads (hereinafter called "legally required Improvements"). Any legally required Improvement and any other Improvements which are not readily removable without causing material damage to a Unit (hereinafter called "nonseverable Improvements") shall be and immediately become the property of Lessor and subject to the terms of the Lease. So long as Lessee is not in default hereunder, Lessee may, upon notice to Lessor, at Lessee's sole cost and expense, make other nonseverable Improvements to a Unit, which are not legally required Improvements; provided, however, that (1) the value of the Unit is not reduced thereby, (2) such Improvements will not cause the Unit to become limited use property, or materially alter or reduce its general usefulness, (3) such Improvements will not increase the productivity or capacity of the Unit in excess of 25% and (4) the cumulative deflated cost (as defined in Rev. Proc.

79-48) of any and all such nonseverable Improvements, exclu sive of any legally required Improvements involving compliance with health, safety and environmental standards, does not exceed 10% of the Lessor's cost of each Unit. So long Lessee is not in default hereunder, Lessee may, upon notice to Lessor, at Lessee's sole cost and expense, make other readily removable Improvements to a Unit provided that such Improvements do not cause material damage to the Unit or reduce its value or general usefulness. Any such readily removable Improvements shall remain the property of Lessee and be removed by Lessee, at its expense, upon or prior to return of any Unit to the Lessor pursuant to § 11 or § 14 hereof, and if not so removed by Lessee may be removed by Lessor without liability to Lessee therefor. Any and all costs of removal and repair shall be for Lessee's account. Lessor is hereby granted a security interest in and to any such readily removable Improvements to secure all of Lessee obligations hereunder. Nothing herein shall be deemed to preclude Lessor and Lessee from negotiating the lease financing hereunder (including Improvement Financing as provided in Paragraph 2 of the Participation Agreement) for any proposed Improvements.

The Lessee agrees to indemnify, protect and hold harmless the Lessor and the Vendor from and against all losses, damages, injuries, liabilities, (including, without limitation, strict liability in tort) claims and demands whatsoever, regardless of the cause thereof, and expenses in connection therewith, including, but not limited to, counsel fees and expenses, patent liabilities, penalties and interest, arising out of or as the result of the entering into or the performance of, or the occurrence of a default, an event of default or an Event of Default under, the CSA, the Participation Agreement or this Lease, the ownership of any Unit, the ordering, acquisition, use, operation, condition, purchase, delivery, rejection, storage or return of any Unit or any accident in connection with the operation, use, condition, possession, storage or return of any Unit resulting in damage to property or injury or death to any person, except as otherwise provided in § 14 of this Lease or the transfer of title to the Equipment by the Vendor pursuant to any provision of the CSA. The indemnities arising under this paragraph shall continue in full force and effect notwithstanding the full payment of all other obligations under this Lease or the expiration or termination of the term of this Lease. To the extent the Lessee is required to provide protection or indemnification hereunder, the Lessee may select counsel (which will be reasonably acceptable to the Lessor) and direct counsel's actions in respect thereof.

The indemnities contained in this § 9 shall not extend to any loss, damage, injury, liability, claim, demand, cost, charge or expense incurred by any indemnified party (a) caused by the wilful misconduct or gross negligence of such indemnified party, (b) resulting from acts or events with respect to any Unit which commence after such Unit has been returned to the Lessor in accordance with § 14 hereof, (c) caused by the violation by such indemnified party of any banking, investment, insurance or securities law, rule or regulation applicable to it (unless such violation shall be the result of any written misrepresentation, violation or act of the Lessee), (d) arising from the breach of an express duty, obligation, representation or warranty of such indemnified party made herein or in any of the documents related to the transactions contemplated hereby, or (e) which is related to the lien, charge, security interest or other encumbrance which the Lessee is not required by § 12 hereof to discharge or in any of the other documents related to the transactions contemplated hereby to be borne by such indemnified party.

Upon request by the Lessor, the Lessee will prepare and deliver to the Lessor within a reasonable time prior to the required date of filing (or, to the extent permissible, file on behalf of the Lessor) any and all reports (other than tax returns except as required by the provisions of § 6 hereof) to be filed by the Lessor with any Federal, state or other regulatory authority by reason of the ownership by the Lessor or the Vendor of the Units or the leasing thereof to the Lessee.

§ 10. Default. If, during the continuance of this Lease, one or more of the following events (each such event being herein sometimes called an "Event of Default") shall occur:

A. default shall be made in payment of any amount provided for in § 3, 7 or 13 hereof, and such default shall continue for 10 days;

B. the Lessee shall make or permit any unauthorized assignment or transfer of this Lease, or any interest herein, or of the right to possession of the Units, or any thereof;

C. default shall be made in the observance or performance of any other of the covenants, conditions and agreements on the part of the Lessee contained

herein or in the Participation Agreement or in the Indemnity Agreement, and such default shall continue for 25 days after written notice from the Lessor or the Vendor to the Lessee specifying the default and demanding that the same be remedied;

D. any representation or warranty made by the Lessee herein or in the Participation Agreement or in the Indemnity Agreement or in any certificate or statement furnished to the Lessor pursuant to or in connection with any such agreements proves untrue in any material respect as of the date of issuance or making thereof;

E. any proceedings shall be commenced by or against the Lessee for any relief which includes, or might result in, any modification of the obligations of the Lessee under this Lease, the Participation Agreement or the Consent, under any bankruptcy or insolvency laws, or laws relating to the relief of debtors, readjustments of indebtedness, reorganizations, arrangements, compositions or extensions (other than a law which does not permit any readjustments of the obligations of the Lessee hereunder) and, unless such proceedings shall have been dismissed, nullified, stayed or otherwise rendered ineffective (but then only so long as such stay shall continue in force or such ineffectiveness shall continue), all the obligations of the Lessee under this Lease, the Participation Agreement and the Consent shall not have been and shall not continue to have been duly assumed in writing, pursuant to a court order or decree, by a trustee or trustees or receiver or receivers appointed in such proceedings in such manner that such obligations shall have the same status as obligations incurred by such a trustee or trustees or receiver or receivers, within 60 days after such proceedings shall have been commenced; or

F. an event of default set forth in Article 15 of the CSA shall have occurred as a result of any default by the Lessee in performing any of its obligations hereunder or under the Consent;

then, in any such case, the Lessor, at its option, may:

(a) proceed by appropriate court action or

actions either at law or in equity, to enforce performance by the Lessee of the applicable covenants of this Lease or to recover damages for the breach thereof; or

(b) by notice in writing to the Lessee (specifically identifying the Event of Default) terminate this Lease, whereupon all rights of the Lessee to the use of the Units shall absolutely cease and terminate as though this Lease had never been made, but the Lessee shall remain liable as herein provided; and thereupon the Lessor may by its agents enter upon the premises of the Lessee or other premises where any of the Units may be and take possession of all or any of such Units and thenceforth hold, possess, sell, operate, lease to others and enjoy the same free from any right of the Lessee, or its successors or assigns, to use the Units for any purposes whatever and without any duty to account to the Lessee for such action or inaction but applying any proceeds (net of expenses as determined by the Lessor) arising therefrom against the liabilities of the Lessee herein; but the Lessor shall, nevertheless, have a right to recover from the Lessee any and all amounts which under the terms of this Lease may be then due or which may have accrued to the date of such termination (computing the rental for any number of days less than a full rental period by multiplying the rental for such full rental period by a fraction of which the numerator is such number of days and the denominator is the total number of days in such full rental period) and also to recover forthwith from the Lessee as damages for loss of a bargain and not as a penalty, whichever of the following amounts the Lessor, in its sole discretion, shall specify: (x) a sum, with respect to each Unit, equal to the excess of the present value, at the time of such termination, of the entire unpaid balance of all rental for such Unit which would otherwise have accrued hereunder from the date of such termination to the end of the term of this Lease as to such Unit over the then present value of the rental which the Lessor reasonably estimates to be obtainable for the Unit during such period, such present value to be computed in each case on the basis of a 5% per annum discount, compounded semiannually from the respective dates upon which rentals would have been payable

hereunder had this Lease not been terminated or (y) an amount equal to the excess, if any, of the Casualty Value as of the rental payment date on or next preceding the date of termination over the amount the Lessor reasonably estimates to be the sales value of such Unit at such time; provided, however, that in the event the Lessor shall have sold any Unit, the Lessor, in lieu of collecting any amounts payable to the Lessor by the Lessee pursuant to the preceding clauses (x) and (y) of this sub-paragraph (b) with respect to such Unit, may, if it shall so elect, demand that the Lessee pay the Lessor and the Lessee shall pay to the Lessor on the date of such sale, as liquidated damages for loss of a bargain and not as a penalty, an amount equal to the excess, if any, of the Casualty Value for such Unit, as of the rental payment date on or next preceding the date of termination over the net proceeds of such sale.

In addition, the Lessee shall be liable, except as otherwise provided above, for any and all unpaid amounts due hereunder before, during or after the exercise of any of the foregoing remedies and for all reasonable attorneys' fees and other costs and expenses incurred by reason of the occurrence of any Event of Default or the exercise of any of the foregoing remedies and for all reasonable attorneys' fees and other costs and expenses incurred by reason of the occurrence of any Event of Default or the exercise of the Lessor's remedies with respect thereto, including all costs and expenses incurred in connection with the return of any Unit.

The remedies in this Lease provided in favor of the Lessor shall not be deemed exclusive, but shall be cumulative and may be exercised concurrently or consecutively, and shall be in addition to all other remedies in its favor existing at law or in equity. The Lessee hereby waives any mandatory requirements of law, now or hereafter in effect, which might limit or modify the remedies herein provided, to the extent that such waiver is not, at the time in question, prohibited by law. The Lessee hereby waives any and all existing or future claims to any offset against the rental payments due hereunder, and agrees to make such payments regardless of any offset or claim which may be asserted by the Lessee or on its behalf.

The failure of the Lessor to exercise the rights granted it hereunder upon the occurrence of any of the contingencies set forth herein shall not constitute a waiver of any such right upon the continuation or recurrence of any such contingencies or similar contingencies.

The Lessee agrees to furnish the Vendee and the Vendor, promptly upon any responsible officer becoming aware of any condition which constituted or constitutes an Event of Default under this Lease or which, after notice or lapse of time, or both, would constitute such an Event of Default, written notice specifying such condition and the nature and status thereof. For the purposes of this paragraph, a "responsible officer" shall mean, with respect to the subject matter of any covenant, agreement or obligation of the Lessee in this Lease contained, any corporate officer of the Lessee who, in the normal performance of his operational responsibilities, would have knowledge of such matter and the requirements of this Lease with respect thereto.

§ 11. Return of Units upon Default. If this Lease shall terminate pursuant to § 10 hereof, the Lessee shall forthwith deliver possession of the Units to the Lessor. Each Unit so delivered shall be in the same operating order, repair and condition as when originally delivered to the Lessee, reasonable wear and tear excepted, and meet the standards then in effect of the Interchange Rules of the Association of American Railroads and/or the applicable rules of any governmental agency or other organization with jurisdiction. For the purpose of delivering possession of any Unit or Units to the Lessor as above required, the Lessee shall at its own cost, expense and risk:

(a) forthwith and in the usual manner (including, but not by way of limitation, giving prompt telegraphic and written notice to the Association of American Railroads and all railroads to which any Unit or Units have been interchanged to return the Unit or Units so interchanged) place such Units upon such storage tracks of the Lessee or any of its affiliates or, at the expense of the Lessee, on any other storage tracks, as the Lessor reasonably may designate;

(b) permit the Lessor to store such Units on

such tracks at the risk of the Lessee without charge for insurance, rent or storage until such Units have been sold, leased or otherwise disposed of by the Lessor; and

(c) transport the same to any place on any lines of railroad or to any connecting carrier for shipment, all as directed by the Lessor.

The assembling, delivery, storage, insurance and transporting of the Units as hereinbefore provided shall be at the expense and risk of the Lessee and are of the essence of this Lease, and upon application to any court of equity having jurisdiction in the premises the Lessor shall be entitled to a decree against the Lessee requiring specific performance of the covenants of the Lessee so to assemble, deliver, store and transport the Units. During any storage period, the Lessee will, at its own cost and expense, insure, maintain and keep the Equipment in good order and repair and will permit the Lessor or any person designated by it, including the authorized representative or representatives of any prospective purchaser or lessee of any such Unit, to inspect the same. All amounts earned in respect of the Units after the date of termination of this Lease shall belong to the Lessor and, if received by the Lessee, shall be promptly turned over to the Lessor. In the event any Unit is not assembled, delivered and stored, as hereinabove provided, within 60 days after such termination, the Lessee shall, in addition, pay to the Lessor for each day thereafter an amount equal to the amount, if any, by which .035651% of the Purchase Price of such Unit for each such day exceeds the actual earnings received by the Lessor on such Unit for each such day.

Without in any way limiting the obligation of the Lessee under the foregoing provisions of this § 11, the Lessee hereby irrevocably appoints the Lessor as the agent and attorney of the Lessee, with full power and authority, at any time while the Lessee is obligated to deliver possession of any Unit to the Lessor, to demand and take possession of such Unit in the name and on behalf of the Lessee from whomsoever shall be in possession of such Unit at the time.

§ 12. Assignment; Possession and Use. This Lease shall be assignable in whole or in part by the

Lessor to the Vendor or, with the consent of the Investors (which consent shall not unreasonably be withheld), to other institutional investors, but the Lessee shall be under no obligation to any assignee of the Lessor except upon written notice of such assignment from the Lessor. All the rights of the Lessor hereunder (including, but not limited to, the rights under §§ 6, 7, 9 and 10 and the rights to receive the rentals payable under this Lease) shall inure to the benefit of the Lessor's assigns including the Vendor, except as may be limited in any assignment thereof.

So long as the Lessee shall not be in default under this Lease the Lessee shall be entitled to the possession and use of the Units in accordance with the terms of this Lease but, without the prior written consent of the Lessor and the Vendor, neither of which shall be unreasonably withheld, the Lessee shall not assign or transfer its leasehold interest under this Lease in the Units or any of them except, and then only so long as the Lessee shall not then be in default under this Lease (and subject to this Lease and to the rights of the Lessor hereunder, and without releasing the Lessee from its obligations hereunder), to an Affiliate, or under a written sublease to a railroad classified by the Interstate Commerce Commission as a Class I railroad or to a responsible company, as determined by the Lessee, subject in each case to the written consent of the Lessor and the Vendor, neither of which shall be unreasonably withheld; and the Lessee shall not, without such written consent, except as provided in this § 12 part with the possession of, or suffer or allow to pass out of its possession or control, any of the Units. For the purpose of this § 12, "Affiliate" shall mean any corporation which, directly or indirectly, controls or is controlled by, or is under common control with, the Lessee. For the purposes of this definition, "control (including controlled by and under common control with)", as used with respect to any corporation, shall mean the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such corporation, whether through the ownership of voting securities or by contract or otherwise. Every such sublease shall expressly subject the rights of the sublessee under such sublease to the rights of the Lessor in respect of the Units covered by such sublease

in the event of the happening of an Event of Default. The Lessee, at its own expense, will promptly pay or discharge any and all sums claimed by any party which, if unpaid, might become a lien, charge, security interest or other encumbrance (other than an encumbrance created by the Lessor or the Vendor or resulting from claims against the Lessor or the Vendor not related to the ownership of the Units) upon or with respect to any Unit or the interest of the Lessor, the Vendor or the Lessee therein, and will promptly discharge any such lien, claim, security interest or other encumbrance which arises. The Lessee shall not, without the prior written consent of the Lessor, part with the possession or control of, or suffer or allow to pass out of its possession or control, any of the Units, except to the extent permitted by the provisions of the immediately succeeding paragraph.

So long as the Lessee shall not be in default under this Lease, the Lessee shall be entitled to the possession of the Units and to the use of the Units by it or any Affiliate upon lines of railroad owned or operated by it or any such Affiliate or upon lines over which the Lessee or any such Affiliate has or obtains trackage or other operating rights or over which railroad equipment of the Lessee or any such Affiliate is regularly operated pursuant to contract, and also to permit the use of the Units upon connecting and other carriers in the usual interchange of traffic or pursuant to run-through agreements, but only upon and subject to all the terms and conditions of this Lease; provided, however, that the Lessee shall not assign or permit the assignment of any Unit to service involving the regular operation and maintenance thereof outside the United States of America. The Lessee may receive and retain compensation for such use from other railroads so using any of the Units.

Nothing in this § 12 shall be deemed to restrict the right of the Lessee to assign or transfer its leasehold interest under this Lease in the Units or possession of the Units to any corporation incorporated under the laws of any state of the United States of America or the District of Columbia (which shall have duly assumed the obligations of the Lessee hereunder and under the Participation Agreement and the Consent (as defined in the CSA)) into or with which the Lessee shall have become merged or consolidated or which shall have acquired the property of the Lessee as an entirety or substantially as an entirety,

provided that such assignee or transferee will not, upon the effectiveness of such merger, consolidation or acquisition, be in default under any provision of this Lease.

§ 13. Renewal Option and Right of First Refusal. Provided that this Lease has not been earlier terminated and the Lessee is not in default hereunder, the Lessee may by written notice delivered to the Lessor not less than 60 days prior to the end of the original term elect to extend the term of this Lease in respect of all (but not fewer than all) the Units in any Group of Units (as defined in § 7 hereof) then covered by this Lease, for one additional five-year period commencing on the scheduled expiration of the original term at a semi-annual rental of 2.916852% of the Purchase Price of each Unit then subject to this Lease, payable in semiannual payments on each semiannual anniversary of the original term.

Provided that this Lease has not been earlier terminated and the Lessee is not in default hereunder, in the event the Lessor elects to sell any Units to third parties within a period of one year after the expiration of the original or any extended term of this Lease, the Lessee shall be given 60 days' prior written notice of such intention prior to the expiration of such period. In the event that during such one-year period the Lessor shall receive a bona fide offer from another party unrelated to the Lessee to purchase the Units and the Lessor elects to sell the Units pursuant to such offer, the Lessor shall give prompt written notice to the Lessee of such offer. Such notice shall include the price and the terms and conditions of payment offered by the other party to the Lessor. The Lessee shall have the sole right and option to purchase the Units for cash at the price at which the Units are proposed to be sold or under the other terms and conditions of payment offered by the other party. The Lessee may exercise such purchase right by delivery to the Lessor of a written notice within 15 days of receipt of notice of the proposed sale from the Lessor specifying a date of purchase, which date shall not be later than 20 days after the date of delivery of such notice by the Lessee to the Lessor.

§ 14. Return of Units upon Expiration of Term. As soon as practicable but not longer than 60 days after

the expiration of the original or extended term of this Lease, the Lessee will, at its own cost and expense, at the request of the Lessor, deliver possession of each Unit to the Lessor upon such storage tracks of the Lessee (at not more than three locations) as the Lessee may designate and permit the Lessor to store such Unit on such tracks for a period not exceeding 90 days and transport the same, at any time within such 90-day period, to the nearest railroad interconnection, all as directed by the Lessor, the movement and storage of such Units to be at the expense and risk of the Lessee. During any such storage period the Lessee will, at its own cost and expense, insure, maintain and keep each Unit in good order and repair and will permit the Lessor or any person designated by it, including the authorized representative or representatives of any prospective purchaser, lessee or user of such Unit, to inspect the same; provided, however, that the Lessee shall not be liable, except in the case of negligence of the Lessee or of its employees or agents, for any injury to, or the death of, any person exercising, either on behalf of the Lessor or any prospective purchaser, lessee or user, the rights of inspection granted under this sentence. Each Unit returned to the Lessor pursuant to this § 14 shall (i) be in the same operating order, repair and condition as when originally delivered to the Lessee, reasonable wear and tear excepted, and (ii) meet the standards in effect upon the expiration of this Lease under the Interchange Rules of the Association of American Railroads and/or the applicable rules of any governmental agency or other organization with jurisdiction. The assembling, delivery, storage and transporting of the Units as hereinbefore provided are of the essence of this Lease, and upon application to any court of equity having jurisdiction in the premises, the Lessor shall be entitled to a decree against the Lessee requiring specific performance of the covenants of the Lessee so to assemble, deliver, store and transport the Units. All amounts earned in respect of the Units after the date of termination of this Lease shall belong to the Lessor and, if received by the Lessee, shall be promptly turned over to the Lessor.

§ 15. Recording. The Lessee, at its own expense, will cause this Lease, the CSA and any assignment hereof or thereof to be filed and recorded with the Interstate Commerce Commission pursuant to 49 U.S.C. § 11303. The Lessee will undertake the filing, registering, deposit, and recording required of the Lessor under the CSA and will from time to time do and perform any other act and will execute, acknowl-

edge, deliver, file, register, record (and will refile, reregister, deposit and redeposit or rerecord whenever required) any and all further instruments required by law or reasonably requested by the Lessor or the Vendor for the purpose of proper protection, to their satisfaction, of the Vendor's and the Lessor's respective interests in the Units, or for the purpose of carrying out the intention of this Lease, the CSA and the assignment thereof to the Vendor; and the Lessee will promptly furnish to the Vendor and the Lessor evidence of all such filing, registering, depositing or recording, and an opinion or opinions of counsel for the Lessee with respect thereto satisfactory to the Vendor and the Lessor. This Lease and the CSA shall be filed and recorded with the Interstate Commerce Commission prior to the delivery and acceptance hereunder of any Unit.

§ 16. Interest on Overdue Rentals. Anything to the contrary herein contained notwithstanding, any nonpayment of rentals and other obligations due hereunder shall result in the obligation on the part of the Lessee promptly to pay, to the extent legally enforceable, an amount equal to the greater of (a) 15% per annum or (b) the rate per annum equal to the fluctuating base rate charged by The Security Pacific Bank for 90-day loans to substantial and responsible commercial borrowers as such base rate shall change from time to time, each change in such rate to become effective on the effective date of each change in such base rate as announced by such Bank, on the overdue rentals and other obligations for the period of time during which they are overdue or such lesser amount as may be legally enforceable.

§ 17. Notices. Any notice required or permitted to be given by either party hereto to the other shall be in writing and effective upon delivery, addressed as follows:

(a) if to the Lessor, at One Embarcadero Center, San Francisco, California 94111, Attention of Manager, Operations Department--LEV;

(b) if to the Lessee, at 2020 Dow Center, Midland, Michigan 48640, Attention of Treasurer-Dow Chemical, U.S.A.;

or addressed to either party at such other address as such party shall hereafter furnish to the other party in writing. Copies of each such notice shall be given to the Vendor at Two Hopkins Plaza, Baltimore, Maryland 21203, attention of

Corporate Trust Department.

§ 18. Severability; Effect and Modification of Lease. Any provision of this Lease which is prohibited or unenforceable in any jurisdiction, shall be, as to such jurisdiction, ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

Except for the Participation Agreement and the Indemnity Agreement, this Lease exclusively and completely states the rights and obligations of the Lessor and the Lessee with respect to the leasing of the Units and supersedes all other agreements, oral or written, with respect thereto. No variation or modification of this Lease and no waiver of any of its provisions or conditions shall be valid unless in writing and signed by duly authorized signatories for the Lessor and the Lessee.

§ 19. Execution. This Lease may be executed in several counterparts, such counterparts together constituting but one and the same instrument, but the counterpart delivered to the Vendor pursuant to the Lease Assignment shall be deemed to be the original, and all other counterparts shall be deemed duplicates thereof. Although for convenience this Lease is dated as of the date first set forth above, the actual date or dates of execution hereof by the parties hereto is or are, respectively, the date or dates stated in the acknowledgments hereto annexed.

§ 20. Law Governing. The terms of this Lease and all rights and obligations hereunder shall be governed by the laws of the State of Michigan; provided, however, that the parties shall be entitled to all rights conferred by 49 U.S.C. § 11303.

§ 21. No Guarantee of CSA Indebtedness or Residual Value. Nothing in this Agreement is intended or shall be construed to constitute a guarantee by the Lessee of the CSA Indebtedness of the Vendee under the CSA or a guarantee of the residual value of any Unit.

IN WITNESS WHEREOF, the parties hereto have executed or caused this instrument to be executed as of the

date first above written.

THE DOW CHEMICAL COMPANY,

by

_____

[Corporate Seal]

Attest:

_____
Assistant Secretary

SECURITY PACIFIC EQUIPMENT
LEASING, INC.,

by

_____

[Corporate Seal]

Attest:

_____
Secretary

STATE OF MICHIGAN,)
) ss.:
COUNTY OF MIDLAND,)

On this day of 1981 before me personally appeared , to me personally known, who, being by me duly sworn, says that he is the Vice President of THE DOW CHEMICAL COMPANY, that one of the seals affixed to the foregoing instrument is the corporate seal of said Corporation, that said instrument was signed and sealed on behalf of said Corporation by authority of its Board of Directors, and he acknowledged that the execution of the foregoing instrument was the free act and deed of said Corporation.

Notary Public

[Notarial Seal]

My Commission expires

STATE OF ,)
) ss.:
COUNTY OF ,)

On this day of 1981 before me personally appeared , to me personally known, who, being by me duly sworn, says that he is of SECURITY PACIFIC EQUIPMENT LEASING, INC., that one of the seals affixed to the foregoing instrument is the corporate seal of said Corporation and that said instrument was signed and sealed on behalf of said Corporation by authority of its Board of Directors and he acknowledged that the execution of the foregoing instrument was the free act and deed of said Corporation.

Notary Public

[Notarial Seal]

My Commission expires

SCHEDULE A TO LEASE

Specifications of the Equipment

Type	Builder	Quantity	Lessee's Identification Numbers (Both Inclusive)
100 ton CF 2980 Center-flow covered hopper cars	ACF Industries, Inc.	47	DOWX 2711-2757
100 ton 25,000 gal. tank cars	ACF Industries, Inc.	13	DOWX 8465-8477
15,950 gal. caustic soda tank cars	General American Transportation Corporation	55	DOWX 7030-7084
20,000 gal. ethanolamine tank cars	General American Transportation Corporation	7	DOWX 3264-3270
25,200 gal. ethylene oxide tank cars	General American Transportation Corporation	23	DOWX 8402-8424
28,800 gal. Muriatick Acid tank cars	Richmond Tank Car Company	18	DOWX 6856-6873

SCHEDULE B TO LEASE

Casualty Values

Payment Date	Percentage
1/1/82	112.22347
7/1/82	111.83654
1/1/83	115.43458
7/1/83	115.01005
1/1/84	117.89247
7/1/84	117.42183
1/1/85	119.64282
7/1/85	119.11399
1/1/86	120.72353
7/1/86	120.12580
1/1/87	121.17613
7/1/87	120.50116
1/1/88	121.04705
7/1/88	120.28919
1/1/89	120.38826
7/1/89	119.54488
1/1/90	119.25794
7/1/90	118.32980
1/1/91	117.72127
7/1/91	116.72379
1/1/92	114.70969
7/1/92	112.43050
1/1/93	110.13967
7/1/93	107.70203
1/1/94	105.19745
7/1/94	102.59357

Casualty Values

Payment Date	Percentage
1/1/95	99.90553
7/1/95	97.12444
1/1/96	94.24390
7/1/96	91.27059
1/1/97	88.18729
7/1/97	85.00653
1/1/98	81.70704
7/1/98	78.30236
1/1/99	74.76987
7/1/99	71.12396
1/1/2000	67.37684
7/1/2000	63.56617
1/1/01	59.67529
7/1/01	55.72901

SCHEDULE C TO LEASE

Termination Values

Payment Date	Percentage Surplus	Percentage Obsolete
1/1/1992	114.74740	114.70969
7/1/1992	112.46488	112.43050
1/1/1993	110.17094	110.13967
7/1/1993	107.73039	107.70203
1/1/1994	105.22308	105.19745
7/1/1994	102.61661	102.59357
1/1/1995	99.92612	99.90553
7/1/1995	97.14268	97.12444
1/1/1996	94.25990	94.24390
7/1/1996	91.28447	91.27059
1/1/1997	88.19915	88.18729
7/1/1997	85.01650	85.00653
1/1/1998	81.71525	81.70704
7/1/1998	78.30894	78.30236
1/1/1999	74.77474	74.76987
7/1/1999	71.12718	71.12396
1/1/2000	67.37871	67.37684
7/1/2000	63.56703	63.56617
1/1/2001	59.67551	59.67529
7/1/2001	55.72901	55.72901

ANNEX D
to
Conditional Sale Agreement

ASSIGNMENT OF LEASE AND AGREEMENT dated as of January 1, 1981 (this "Assignment"), by and between SECURITY PACIFIC EQUIPMENT LEASING, INC. (the "Lessor" or the "Vendee"), and MERCANTILE-SAFE DEPOSIT AND TRUST COMPANY, as Agent (together with its successors and assigns the "Vendor") under a Participation Agreement dated as of the date hereof.

The Vendee is entering into a Conditional Sale Agreement dated as of the date hereof (the "CSA") with ACF Industries, Incorporated, General American Transportation Corporation and Richmond Tank Car Company (the "Builders"), providing for the sale to the Vendee of such units of railroad equipment (the "Units") described in the Annex thereto as are delivered to and accepted by the Vendee thereunder.

The Lessor and The Dow Chemical Company ("the Lessee") have entered into a Lease of Railroad Equipment dated as of the date hereof (the "Lease"), providing for the leasing of the Units to the Lessee by the Lessor.

In order to provide security for the obligations of the Lessor under the CSA and as an inducement to the Vendor to invest in the CSA Indebtedness (as defined in Article 4 of the CSA), the Lessor agrees to assign to the Vendor for security purposes the Lessor's rights in, to and under the Lease.

NOW, THEREFORE, in consideration of the premises and of the payments to be made and the covenants hereinafter mentioned to be kept and performed, the parties hereto agree as follows:

1. The Lessor hereby assigns, transfers and sets over unto the Vendor, as collateral security for the payment and performance of the obligations of the Lessor as Vendee under the CSA, all the Lessor's right, title and interest, powers, privileges, and other benefits under the Lease (except any amounts of indemnity payable to the Lessor pursuant to § 6 or 9 of the Lease or the Indemnity

Agreement dated as of the date hereof between the Lessee and Lessor), including, without limitation, the immediate right to receive and collect all rentals, profits and other sums payable to or receivable by the Lessor from the Lessee under or pursuant to the provisions of the Lease whether as rent, casualty or termination payment, indemnity, liquidated damages, or otherwise (such moneys being hereinafter called the "Payments"), and the right to make all waivers and agreements, to give all notices, consents and releases, to take all action upon the happening of an Event of Default specified in the Lease, and to do any and all other things whatsoever which the Lessor is or may become entitled to do under the Lease. In furtherance of the foregoing assignment, the Lessor hereby irrevocably authorizes and empowers the Vendor in its own name, or in the name of its nominee, or in the name of the Lessor or as its attorney, to ask, demand, sue for, collect and receive any and all Payments to which the Lessor is or may become entitled under the Lease, and to enforce compliance by the Lessee with all the terms and provisions thereof.

The Vendor agrees to accept any Payments made by the Lessee for the account of the Lessor pursuant to the Lease; and to the extent received, the Vendor will apply such Payments to satisfy the obligations of the Lessor under the CSA, and, so long as no event of default shall have occurred and be continuing under the CSA, any balance shall be paid to the Lessor on the same date such Payment is applied to satisfy such obligations of the Lessor by check mailed to the Lessor on such date or, upon written request of the Lessor, by bank wire to the Lessor at such address as may be specified to the Vendor in writing, and such balance shall be retained by the Lessor; provided, however, that, unless and until the Vendor shall otherwise direct the Lessee in writing pursuant to Paragraph (1) of the attached Consent and Agreement, the Lessee may pay directly to the Lessor that portion of the Payments not required from time to time to satisfy the obligations of the Lessor under the CSA. If the Vendor shall not receive any rental payment under the first paragraph of § 3 of the Lease or any payment under § 7 of the Lease when due, the Vendor shall forthwith notify the Lessor by telephone (confirmed in writing) or telegraph at the address set forth in the Lease; provided, however, that the failure of the Vendor so to notify the Lessor shall not affect the obligations of the Lessor hereunder or under the CSA.

2. This Assignment is executed only as security and, therefore, the execution and delivery of this Assignment shall not subject the Vendor to, or transfer, or pass, or in any way affect or modify the liability of the Lessor under the Lease, it being understood and agreed that notwithstanding this Assignment or any subsequent assignment, all obligations of the Lessor to the Lessee shall be and remain enforceable by the Lessee, its successors and assigns, against, and only against, the Lessor or persons other than the Vendor.

3. The Lessor will faithfully abide by, perform and discharge each and every obligation, covenant and agreement which the Lease provides is to be performed by the Lessor; without the written consent of the Vendor, the Lessor will not anticipate the rents under the Lease or waive, excuse, condone, forgive or in any manner release or discharge the Lessee thereunder of or from the obligations, covenants, conditions and agreements to be performed by the Lessee, including, without limitation, the obligation to pay the rents in the manner and at the time and place specified therein or enter into any agreement amending, modifying or terminating the Lease, and the Lessor agrees that any amendment modification or termination thereof without consent shall be void.

4. The Lessor does hereby constitute the Vendor the Lessor's true and lawful attorney, irrevocably, with full power (in the name of the Lessor, or otherwise) to ask, require, demand, receive and give acquittance for any and all Payments due and to become due under or arising out of the Lease to which the Lessor is or may become entitled, to enforce compliance by the Lessee with all the terms and provisions of the Lease, to endorse any checks or other instruments or orders in connection therewith and to file any claims or take any action or institute any proceedings which to the Vendor may seem to be necessary or advisable in the premises.

5. Upon the full discharge and satisfaction of all sums due from the Lessor under the CSA, this Assignment and all rights herein assigned to the Vendor shall terminate, and all estate, right, title and interest of the Vendor in and to the Lease shall revert to the Lessor.

6. The Lessor will pay and discharge any and

all taxes, claims, liens, charges or security interests (other than created by the CSA) on the Lease or the rentals or other payments due or to become due thereunder claimed by any party from, through or under the Lessor, or its successors and assigns (other than the Vendor), not arising out of the transactions contemplated by the CSA or the Lease (but including income taxes arising out of rentals and any other payments under the Lease and any other proceeds of the Equipment) which, if unpaid, might become a claim, lien, charge or security interest on or with respect to the Lease or such rentals, other payments or proceeds, unless the Lessor shall be contesting the same in good faith by appropriate proceedings in any reasonable manner and the nonpayment thereof does not, in the reasonable opinion of the Vendor, adversely affect such interests of the Vendor.

7. The Lessor will, from time to time, execute, acknowledge and deliver any and all further instruments required by law as reasonably requested by the Vendor in order to confirm or further assure the interest of the Vendor hereunder.

8. The Vendor may assign all or any of the rights assigned to it hereby or arising under the Lease, including, without limitation, the right to receive any Payments due or to become due. In the event of any such assignment, any such subsequent or successive assignee or assignees shall, to the extent of such assignment, enjoy all the rights and privileges and be subject to all the obligations of the Vendor hereunder.

9. This Assignment shall be governed by the laws of the State of New York, but the parties shall be entitled to all rights conferred by 49 U.S.C. § 11303.

10. The Lessor shall cause copies of all notices received in connection with the Lease and all payments hereunder to be promptly delivered or made to the Vendor at Two Hopkins Plaza, Baltimore, Maryland 21203, Attention of Corporate Trust Department, or such other address as the Vendor shall designate.

11. The Vendor hereby agrees with the Lessor that the Vendor will not, so long as no Event of Default under the Lease or event of default under the CSA has occurred and is continuing, exercise or enforce, or

seek to exercise or enforce, or avail itself of, any of the rights, powers, privileges, authorizations or benefits which are assigned and transferred by the Lessor to the Vendor by this Assignment, except the right to receive and apply the Payments as provided in Paragraph 1 hereof, and that, subject to the terms of the Lease and the CSA, the Lessor may, so long as no such event of default under the CSA has occurred and is then continuing, exercise or enforce, or seek to exercise or enforce, its rights, powers, privileges and remedies arising out of subparagraph (a) of the first paragraph of § 10 of the Lease; provided, however, that the Lessor shall not, without the prior written consent of the Vendor, terminate the Lease or otherwise exercise or enforce, or seek to exercise or enforce, any rights, powers, privileges and remedies arising out of subparagraph (b) of said § 10.

12. This Assignment may be executed in any number of counterparts, all of which together shall constitute a single instrument, but the counterpart delivered to the Vendor shall be deemed to be the original and all others shall be deemed to be duplicates thereof. It shall not be necessary that any counterpart be signed by both parties so long as each party shall sign at least one counterpart.

IN WITNESS WHEREOF, the parties hereto have caused this instrument to be executed in their respective corporate names by officers thereunto duly authorized, and their respective corporate seals to be affixed and duly attested, all as of the date first above written.

SECURITY PACIFIC EQUIPMENT
LEASING, INC.,

by

_____

[Corporate Seal]

Attest:

_____
Assistant Secretary

MERCANTILE-SAFE DEPOSIT & TRUST COMPANY,

by

_____
Assistant Vice President

[Corporate Seal]

Attest:

_____
Corporate Trust Officer

STATE OF CALIFORNIA,)
) ss.:
COUNTY OF SAN FRANCISCO,)

On this day of 1981, before me personally appeared ,
to me personally known, who being by me duly sworn, says that he is Executive Vice President of SECURITY PACIFIC EQUIPMENT LEASING, INC., that one of the seals affixed to the foregoing instrument is the corporate seal of said corporation and that said instrument was signed and sealed on behalf of said corporation by authority of its Board of Directors, and he acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.

_____
Notary Public

[Notarial Seal]

My Commission expires

STATE OF MARYLAND,)
) ss.:
CITY OF BALTIMORE,)

On this day of 1981, before me personally appeared ,
to me personally known, who being by me duly sworn, say that he is an Assistant Vice President of MERCANTILE-SAFE DEPOSIT AND TRUST COMPANY, that one of the seals affixed to the foregoing instrument is the corporate seal of said corporation and that said instrument was signed and sealed on behalf of said corporation by authority of its Board of Directors, and they acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.

_____
Notary Public

[Notarial Seal]

My Commission expires

CONSENT AND AGREEMENT

The undersigned, THE DOW CHEMICAL COMPANY, a Delaware corporation (the "Lessee"), the Lessee named in the Lease (the "Lease") referred to in the foregoing Assignment of Lease and Agreement (the "Lease Assignment"), hereby (a) acknowledges receipt of a copy of the Lease Assignment and (b) consents to all the terms and conditions of the Lease Assignment and agrees that:

(1) it will pay all rentals, casualty and termination payments, liquidated damages, indemnities and other moneys provided for in the Lease (which moneys, other than amounts that are not assigned under the Lease Assignment, are hereinafter called the "Payments") due and to become due under the Lease or otherwise in respect of the Units leased thereunder, to the extent such Payments are required to satisfy the obligations of the Lessor under the CSA (as defined in the Lease), by transfer of immediately available funds directly to Mercantile-Safe Deposit and Trust Company, as Agent (the "Vendor"), the assignee named in the Lease Assignment by 11:00 a.m. Baltimore time, on the date such payment is due, by bank wire transfer of immediately available funds to The Annapoolis Banking and Trust Company, Main Street and Church Circle, Annapolis, Maryland, for credit to the Agent's Account No. 52076-1, with a request that The Annapolis Banking and Trust Company advise Mrs. K. M. Tollberg, Assistant Vice President, Mercantile-Safe Deposit and Trust Company, Baltimore, Maryland, that the funds are "RE: DOW 1/1/81" (or at such other address as may be furnished in writing to the Lessee by the Vendor); any balance shall be paid by the Lessee to the Lessor (by check at its address set forth in § 17 of the Lease, or at such other place and in such other manner as the Lessor may indicate to the Lessee in writing) unless and until the Vendor shall otherwise direct the Lessee in writing;

(2) the Vendor shall be entitled to the benefits of, and to receive and enforce performance of, all the covenants to be performed by the Lessee under the Lease as though the Vendor were named therein as the Lessor;

(3) the Vendor shall not, by virtue of the Lease Assignment or this Consent and Agreement, be or become subject to any liability or obligation under the Lease or otherwise; and

(4) the Lease shall not, without the prior written consent of the Vendor, be terminated or modified, nor shall any action be taken or omitted by the Lessee the taking or omission of which might result in an alteration or impairment of the Lease or the Lease Assignment or this Consent and Agreement or of any of the rights created by any thereof.

This Consent and Agreement, when accepted by the Vendor by signing the Acceptance at the foot hereof, shall be deemed to be a contract under the laws of Michigan and, for all purposes, shall be construed in accordance with the laws of said State.

THE DOW CHEMICAL COMPANY,

by

_____

[Corporate Seal]

Attest:

_____
Assistant Secretary

The foregoing Consent and Agreement is hereby accepted, as of the 1st day of January 1981.

MERCANTILE-SAFE DEPOSIT AND TRUST COMPANY, as Agent,

by

_____
Assistant Vice President

[CS&M Ref: 2044-090]

CONDITIONAL SALE AGREEMENT

Dated as of January 1, 1981

between

SECURITY PACIFIC EQUIPMENT LEASING, INC.,
Vendee,

and each of

ACF INDUSTRIES, INCORPORATED,

GENERAL AMERICAN TRANSPORTATION CORPORATION

and

RICHMOND TANK CAR COMPANY

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CONDITIONAL SALE AGREEMENT dated as of January 1, 1981, between ACF INDUSTRIES, INCORPORATED, a New Jersey corporation, GENERAL AMERICAN TRANSPORTATION CORPORATION, a New York corporation, and RICHMOND TANK CAR COMPANY, a Delaware corporation (collectively the "Vendors" or "Builders" or individually the "Vendor" or the "Builder" as more particularly set forth in Article 1 hereof), and SECURITY PACIFIC EQUIPMENT LEASING, INC. (the "Vendee").

The Builders severally agree to construct, sell and deliver to the Vendee, and the Vendee agrees to purchase, the railroad equipment described in Annex B hereto other than equipment excluded pursuant to Article 3 or Article 4 hereof (the "Equipment").

The Vendee is entering into a Lease of Railroad Equipment dated as of the date hereof (the "Lease") with THE DOW CHEMICAL COMPANY (the "Lessee"), substantially in the form of Annex C hereto.

Mercantile-Safe Deposit and Trust Company (the "Assignee" or "Vendor") is acting as agent for certain investors pursuant to a Participation Agreement dated as of the date hereof (the "Participation Agreement") among the Assignee, the Vendee, the Lessee and such investors.

NOW, THEREFORE, in consideration of the mutual promises, covenants and agreements hereinafter set forth, the parties hereto do hereby agree as follows:

ARTICLE 1. Assignment; Definitions. The parties hereto contemplate that the Vendee will furnish that portion of the Purchase Price (as hereinafter defined) for the Equipment as is required under subparagraph (a) of the third paragraph of Article 4 hereof and that an amount equal to the balance of such Purchase Price as is payable hereunder shall be paid to the Builder by the Assignee pursuant to an Agreement and Assignment dated as of the date hereof between the Builder and the Assignee (such Agreement and Assignment being hereinafter called the Assignment).

The term "Vendor", whenever used in this Agree-

ment, means, before any assignment of their rights hereunder, the parties hereto which have manufactured the Equipment and any successor or successors for the time being to their respective manufacturing properties and business, and, after any such assignment, both any assignee or assignees for the time being of such particular assigned rights as regards such rights, and also any assignor as regards any rights hereunder that are retained or excluded from any assignment; and the term "Builder", whenever used in this Agreement, means, both before and after any such assignment, one of the parties hereto which has manufactured the Equipment and any successor or successors for the time being to its manufacturing properties and business.

The rights and obligations of the Builders under this Agreement are several in accordance with their interests and not joint. Accordingly, whenever this Agreement, by the use of such designation as "the Vendor", "such Builder", "the Builder", or other similar term, confers a right or imposes an obligation upon any corporation named in Item 1 of Schedule A hereto or its successor, such right or obligation shall be construed to accrue to or be enforceable against only the specific corporation furnishing the units of Equipment giving rise to such right or obligation and its successors as herein provided.

In case of such assignment, the Vendee will assign to the Vendor, as security for the payment and performance of all the Vendee's obligations hereunder, all right, title, and interest of the Vendee in and to the Lease, pursuant to an Assignment of Lease and Agreement in the form of Annex D hereto (the "Lease Assignment"), and the Lessee shall consent thereto pursuant to the Consent and Agreement in the form attached to Annex D (the "Consent").

ARTICLE 2. Construction and Sale. Pursuant to this Agreement, each Builder shall construct the Equipment at its plant set forth in Annex B hereto (such Equipment with respect to each Builder being hereinafter sometimes called "its Equipment"), and each Builder will sell and deliver to the Vendee, and the Vendee will purchase from the Builder and accept delivery of and pay for (as hereinafter provided), such Builder's Equipment, each unit of which shall be constructed in accordance with the specifications referred to in Annex B hereto and in accordance with such modifications thereof as may be agreed upon in

writing between the applicable Builder, the Vendee and the Lessee (which specifications and modifications, if any, are hereinafter called the "Specifications"). The design, quality and component parts of each unit of the Equipment shall conform, on the date of completion of manufacture thereof, to all Department of Transportation and Interstate Commerce Commission requirements and specifications and to all standards, if any, recommended by the Association of American Railroads reasonably interpreted as then being applicable to each such unit of Equipment, and each such unit will be new railroad equipment.

ARTICLE 3. Inspection and Delivery. Each Builder will deliver the units of its Equipment to the Vendee at the place or places specified in Annex B hereto (or at such other place or places designated from time to time by Lessee on behalf of the Vendee), freight and storage charges, if any, prepaid and included in the Purchase Price, in accordance with the delivery schedule set forth in Annex B hereto; provided, however, that any unit of Equipment which is delivered prior to the filing of this Agreement and the Lease pursuant to 49 U.S.C. § 11303 shall be excluded from this Agreement, and the Vendee shall be relieved of its obligation to purchase and pay for such Equipment; and provided further, that neither Builder shall have any obligation to deliver any unit of Equipment hereunder subsequent to the commencement of any proceedings specified in clause (c) of Article 15 hereof or the occurrence of any event of default (as described in Article 15 hereof), or event which, with the lapse of time and/or demand, would constitute such an event of default. Each Builder agrees not to deliver any unit of Equipment hereunder (a) following receipt of written notice from the Vendee or the Assignee of the commencement of any such proceedings or the occurrence of any such event, as aforesaid, and (b) until such Builder receives notice from the Assignee and the Vendee, respectively, that the conditions contained in Paragraphs 6 and 7, respectively, of the Participation Agreement have been met or waived.

Any Equipment delivered prior to the filing of this Agreement and the Lease pursuant to 49 U.S.C. § 11303 and any Equipment not delivered at the time of receipt by the Builder of the notice specified in clause (a) of the second sentence of the first paragraph of this Article 3 and any Equipment not delivered and accepted hereunder on or prior to June 29, 1981, shall be excluded from this

Agreement, and the Vendee shall be relieved of its obligation to purchase and pay for such Equipment. If any Equipment shall be excluded herefrom pursuant to the immediately preceding sentence, the Builder thereof and the Vendee shall execute an agreement supplemental hereto limiting this Agreement to the Equipment not so excluded herefrom. Pursuant to the Participation Agreement the Lessee has agreed to purchase such excluded Equipment and any Equipment excluded from this Agreement pursuant to the first paragraph of Article 4 hereof from the Builder thereof as provided in Paragraph 1 of the Participation Agreement.

Each Builder's obligation as to the time of delivery set forth in Annex B hereto is subject, however, to delays resulting from causes beyond such Builder's reasonable control, including but not limited to acts of God, acts of government such as embargoes, priorities and allocations, war or war conditions, riot or civil commotion, sabotage, strikes, differences with workmen, accidents, fire, flood, explosion, damage to plant, equipment or facilities, delays in receiving necessary materials or delays of carriers or subcontractors.

During construction, the Equipment shall be subject to inspection and approval by the authorized inspectors of the Vendee (who may be employees of the Lessee), and each Builder shall grant to such authorized inspectors reasonable access to its plant. Each Builder agrees to inspect the materials used in the construction of its Equipment in accordance with the standard quality control practices of such Builder. Upon completion of each unit or a number of units of the Equipment, such unit or units shall be presented to an inspector of the Vendee for inspection at the place specified for delivery of such unit or units, and if each such unit conforms to the Specifications, requirements and standards applicable thereto, such inspector or an authorized representative of the Vendee (who may be an employee of the Lessee) shall execute and deliver to the Builder thereof a certificate of acceptance (the "Certificate of Acceptance"), stating that such unit or units have been inspected and accepted on behalf of the Vendee and the Lessee and are marked in accordance with Article 9 hereof.

On delivery and acceptance of each such unit hereunder at the place specified for delivery, the Builder thereof shall not have any further responsibility for, nor

bear any risk of, any damage to or the destruction or loss of such unit; provided, however, that such Builder shall not thereby be relieved of its warranty referred to in Article 13 hereof.

Notwithstanding the foregoing or any other provision of this Agreement to the contrary, the delivery to and acceptance by or on behalf of the Vendee of any unit of Equipment excluded from this Agreement pursuant to the first paragraph of Article 4 hereof shall be ineffective, ab initio, to create in or transfer to the Vendee any legal or beneficial right or interest in such unit or (except as provided in the first paragraph of Article 4 hereof) to impose on the Vendee any liability, obligation or responsibility with respect thereto; any right or interest in any such unit created in, or transferred to, or purported to be created in or transferred to, the Vendee shall be held by the Vendee solely as trustee for the benefit of the Lessee.

ARTICLE 4. Purchase Price and Payment. The base price or prices per unit of the Equipment are set forth in Annex B hereto. Such base price or prices are subject to such increase or decrease as may be agreed among the Builder thereof, the Vendee, and the Lessee. The term "Purchase Price" as used herein shall mean such base price or prices as so increased or decreased (as set forth in the invoice or invoices of the Builder thereof which shall be accompanied by, or have endorsed thereon, the agreement or approval of the Lessee and the Vendee) plus the Lining Costs (as defined in Paragraph 2 of the Participation Agreement). If on any Closing Date (as hereinafter defined in this Article) the aggregate Purchase Price of Equipment and linings for which settlement has theretofore been and is then being made under this Agreement would, but for the provisions of this sentence, exceed the Maximum Purchase Price specified in Item 5 of Annex A hereto (or such higher amount as the Vendee may at its option agree to prior to delivery of any unit or units of Equipment that, but for such agreement, would be excluded from this Agreement), the appropriate Builder or Builders (and any assignee of such Builder or Builders) and the Vendee will enter into an agreement excluding from this Agreement such unit or units of Equipment then proposed to be settled for and specified by the Vendee, as will, after giving effect to such exclusion, reduce such aggregate Purchase Price under this Agreement to not more than the

Maximum Purchase Price specified in Item 5 of Annex A hereto (or such higher amount as aforesaid), and the Vendee shall take such other steps, including the execution of instruments of transfer, as may be reasonably requested by the Lessee for the purpose of acknowledging and perfecting the interest of the Lessee in any unit of Equipment so excluded from this Agreement, and the Vendee shall have no further obligation or liability in respect of units so excluded.

The Equipment shall be settled for in such number of groups of units of the Equipment delivered to and accepted by the Vendee as is provided in Item 2 of Annex A hereto (each such group being hereinafter called a Group). The term "Closing Date" with respect to any Group shall mean such date or dates (not later than June 29, 1981, such later date being herein called the Final Closing Date), occurring not more than 10 business days following presentation by the Builder to the Vendee of the Invoices and of the Certificate or Certificates of Acceptance for the Equipment and written notice thereof by the Builder to the Lessee, as shall be fixed by the Builder by written notice delivered to the Vendee and the Assignee at least 4 business days prior to the Closing Date designated therein. The term "business days" as used herein means calendar days, excluding Saturdays, Sundays and any other day on which banking institutions in New York, New York, San Francisco, California, or Chicago, Illinois, are authorized or obligated to remain closed. On each Closing Date, each Builder will be paid the Purchase Price for its Equipment then being settled for in the manner and subject to the conditions set forth in Section 4 of the CSA Assignment.

The Vendee hereby acknowledges itself to be indebted to the Vendor in the amount of, and hereby promises to pay or cause to be paid in cash to the Vendor at such place as the Vendor may designate, the Purchase Price of the Equipment, as follows:

(a) not later than 1:00 p.m., Baltimore time, on the Closing Date with respect to each Group (i) an amount equal to 29.874% of the aggregate Purchase Price of Equipment included in such Group represented by the Invoice or Invoices of the Builder therefor (being the aggregate Purchase Price of such Group minus Lining Costs) (hereinafter being called the Invoiced Purchase Price) plus (ii) the amount, if any,

by which (x) the remainder of the Purchase Price of all units of the Equipment covered by this Agreement for which settlement has theretofore and is then being made, as set forth in the Invoice or Invoices therefor exceeds (y) the Maximum CSA Indebtedness specified in Item 6 of Annex A and any amount or amounts previously paid or payable with respect to the Purchase Prices pursuant to this Clause (ii); and

(b) in 40 semiannual installments, as hereinafter provided, an amount equal to the balance of the Purchase Price (including the Lining Costs) specified in subparagraph (a) of this paragraph.

The portion of the Purchase Price payable pursuant to subparagraph (b) of the preceding paragraph (herein called the "CSA Indebtedness") shall be payable in 40 consecutive semiannual installments commencing December 30, 1981, to and including June 30, 2001 (or if any such date is not a business day, on the next succeeding business day), each such date being hereinafter called a Payment Date. The unpaid balance of the CSA Indebtedness shall bear interest from the Closing Date in respect of which such indebtedness was incurred at the rate of 14% per annum. Such interest shall be payable, to the extent accrued, on June 30, 1981, and on each Payment Date thereafter. The installments of principal payable on each Payment Date shall be calculated so that the amount and allocation of principal and interest payable on each Payment Date shall be substantially in proportion to the amount and allocation of principal and interest on such Payment Date set forth in Schedule I hereto, and such installments of principal will completely amortize the CSA Indebtedness. The Vendee will furnish to the Vendor and the Lessee promptly after last Closing Date a schedule, in such number of counterparts as shall be requested by the Vendor, showing the respective amounts of principal and interest payable on each Payment Date.

Interest under this Agreement shall be determined on the basis of a 360-day year of 12 30-day months, except that the interest due on June 30, 1981, and interest due pursuant to the next succeeding paragraph shall be determined on an actual elapsed day, 365-day year basis.

The Vendee will pay, to the extent legally enforceable, interest upon all amounts remaining unpaid

after the same shall have become due and payable pursuant to the terms hereof at the rate of 15% per annum.

All payments provided for in this Agreement shall be made in such coin or currency of the United States of America as at the time of payment shall be legal tender for the payment of public and private debts. Except as provided in this Article 4 and Article 7 hereof, the Vendee shall not have the privilege of prepaying any portion of the CSA Indebtedness prior to the date it becomes due.

The obligation of the Vendee to pay to the Vendor the amount required to be paid pursuant to subparagraph (a) of the third paragraph of this Article 4 with respect to any Group shall be subject to the receipt by the Vendee of copies of the documents required to be furnished by the relevant Builder pursuant to Section 4 of the CSA Assignment in respect of such Group.

Notwithstanding any other provision of this Agreement (including, but not limited to, any provision of Articles 15 and 16 hereof) but not limiting the effect of Article 21 hereof, it is understood and agreed by the Vendor that the liability of the Vendee or any assignee of the Vendee for all payments to be made by it under and pursuant to this Agreement or the performance of its obligations hereunder and excluding only the obligations set forth in the proviso in the third paragraph of Article 12 hereof, the payments to be made pursuant to subparagraph (a) of the third paragraph of this Article and the interest payable on the CSA Indebtedness due June 30, 1981, pursuant to the fourth paragraph of this Article 4, shall not exceed an amount equal to, and shall be payable only out of, the "income and proceeds from the Equipment". As used herein the term "income and proceeds from the Equipment" shall mean (i) if one of the events of default specified in Article 15 hereof shall have occurred and while it shall be continuing, so much of the following amounts as are indefeasibly received by the Vendee or any assignee of the Vendee at any time after any such event and during the continuance thereof: (a) all amounts of rental and amounts in respect of Casualty Occurrences or Terminations (as defined in Article 7 hereof) paid for or with respect to the Equipment pursuant to the Lease and any and all other payments received under § 10 or any other provision of the Lease (other than indemnity payments paid or payable under § 9 of the Lease and taxes and indemnities paid or payable to the Vendee under § 6 of the Lease) and (b) any and all

payments or proceeds received for or with respect to the Equipment as the result of the sale, lease or other disposition thereof, after deducting all costs and expenses of such sale, lease or other disposition, and (ii) at any other time, only that portion of the amounts referred to in the foregoing clauses (a) and (b) as are indefeasibly received by the Vendee or any assignee of the Vendee and as shall equal the portion of the CSA Indebtedness (including prepayments thereof required in respect of Casualty Occurrences or Terminations) and/or interest thereon due and payable on the date such amounts were required to be paid pursuant to the Lease or as shall equal any other payments then due and payable under this Agreement; it being understood that (1) "income and proceeds from the Equipment" shall in no event include amounts referred to in the foregoing clauses (a) and (b) received by the Vendee or any assignee of the Vendee prior to the existence of such an event of default which exceeded the amounts required to discharge that portion of the CSA Indebtedness (including prepayments thereof required in respect of Casualty Occurrences or Voluntary Terminations) and/or interest thereon due and payable on the date on which amounts with respect thereto received by the Vendee or any assignee of the Vendee were required to be paid to it pursuant to the Lease or which exceeded any other payments due and payable under this Agreement at the time such amounts were payable under the Lease, (2) "income and proceeds from the Equipment" shall also mean and include the amounts to be paid by the Vendee pursuant to Paragraph 17 of the Participation Agreement and (3) "income and proceeds from the Equipment" shall in no event include the amounts paid pursuant to § 3 of the Lease on any rental payment date if, but only if, the Vendee has made the payment of CSA Indebtedness and interest due on the immediately preceding December 30 or June 30, as the case may be, pursuant to this Article 4. Notwithstanding anything to the contrary contained in Article 15 or 16 hereof, the Vendor agrees that in the event it shall obtain a judgment against the Vendee for an amount in excess of the amounts payable by the Vendee pursuant to the limitations set forth in this paragraph, it will limit its execution of such judgment to amounts payable pursuant to the limitations set forth in this paragraph. Nothing contained herein limiting the liability of the Vendee shall derogate from the right of the Vendor to proceed against the Equipment for the full unpaid Purchase Price of the Equipment and interest thereon and all other payments and obligations hereunder.

ARTICLE 5. Security Interest in the Equipment. The Vendor shall and hereby does retain a security interest in the Equipment until the Vendee shall have made all its payments under this Agreement and shall have kept and performed all its agreements herein contained, notwithstanding any provision of this Agreement limiting the liability of the Vendee and notwithstanding the delivery of the Equipment to and the possession and use thereof by the Vendee and the Lessee as provided in this Agreement and the Lease.

Except as otherwise specifically provided in Article 7 hereof, when and only when the Vendor shall have been paid the full indebtedness in respect of the Purchase Price of the Equipment, together with interest and all other payments as herein provided, absolute right to the possession of, title to and property in the Equipment shall pass to and vest in the Vendee without further transfer or action on the part of the Vendor. Upon the payment in full of the indebtedness, interest and other payments referred to in the immediately preceding sentence, the Vendor shall, if so requested by the Vendee, (a) execute a bill or bills of sale for the Equipment releasing its security interest therein to the Vendee or upon its order, free of all liens, security interests and other encumbrances created or retained hereby and deliver such bill or bills of sale to the Vendee at its address referred to in Article 20 hereof, (b) execute and deliver at the same place, for filing, recording or depositing in all necessary public offices, such instrument or instruments in writing as may be necessary or appropriate in order then to make clear upon the public records the title of the Vendee to the Equipment and (c) pay to the Vendee any money paid to the Vendor pursuant to Article 7 hereof and not theretofore applied as therein provided. The Vendee hereby waives and releases any and all rights, existing or that may be acquired, in or to the payment of any penalty, forfeit or damages for failure to execute and deliver such bill or bills of sale or instrument or instruments or to file any certificate of payment in compliance with any law or statute requiring the filing of the same, except for failure to execute and deliver such bill or bills of sale or instrument or instruments or to file such certificate within a reasonable time after written demand by the Vendee.

ARTICLE 6. Taxes. All payments to be made by the Vendee hereunder will be free of expense to the Vendor

for collection or other charges and will be free of expense to the Vendor with respect to the amount of any local, state, Federal or foreign taxes (other than gross receipts taxes [except gross receipt taxes in the nature of or in lieu of sales or use or rental taxes], franchise taxes, taxes measured by net income, excess profits taxes and similar taxes) or license fees, assessments, charges, fines or penalties hereafter levied or imposed upon or in connection with or measured by this Agreement or any sale, rental, use, payment, shipment, delivery or transfer of title under the terms hereof (all such expenses, taxes, license fees, assessments, charges, fines and penalties being hereinafter called "impositions"), all of which impositions the Vendee assumes and agrees to pay on demand in addition to the Purchase Price of the Equipment. The Vendee will also pay promptly all impositions which may be imposed upon the Equipment delivered to it or for the use or operation thereof or upon the earnings arising therefrom (except as provided above) or upon the Vendor solely by reason of its ownership thereof (except as provided above) and will keep at all times all and every part of the Equipment free and clear of all impositions which might in any way affect the security interest of the Vendor or result in a lien upon any part of the Equipment; provided, however, that the Vendee shall be under no obligation to pay any impositions of any kind so long as it is contesting in good faith and by appropriate legal or administrative proceedings such impositions and the nonpayment thereof does not, in the reasonable opinion of the Vendor, adversely affect the security interest or property or rights of the Vendor in or to the Equipment or otherwise under this Agreement. If any impositions shall have been charged or levied against the Vendor directly and paid by the Vendor, the Vendee shall reimburse the Vendor upon presentation of an invoice therefor, and any amounts so paid by the Vendor shall be secured by and under this Agreement; provided, however, that the Vendee shall not be obligated to reimburse the Vendor for any impositions so paid unless the Vendor shall have been legally liable with respect thereto (as evidenced by an opinion of counsel for the Vendor) or unless the Vendee shall have approved in writing the payment thereof.

ARTICLE 7. Maintenance, Termination and Casualty Occurrences. The Vendee shall, at its own cost and expense, maintain and keep each unit of the Equipment in good operating order, repair and condition.

In the event that the Lease is terminated voluntarily pursuant to § 7 of the Lease as to any Unit (hereinafter called a "Termination") or any unit of the Equipment shall be or become worn out, lost, stolen, destroyed, or, in the opinion of the Vendee or the Lessee, irreparably damaged, from any cause whatsoever, or any unit shall be taken or requisitioned by condemnation or otherwise resulting in loss of possession by the Lessee for a period of 90 consecutive days, except requisition for use by the United States Government (any such occurrence being herein called a "Casualty Occurrence"), the Vendee shall, promptly after it shall have received notice from the Lessee or has otherwise been informed of a Termination or that such unit has suffered a Casualty Occurrence, cause the Vendor to be fully informed in regard thereto. On the Casualty Date (as defined in the Lease) or on the Termination Date (as defined in the Lease) in the case of a Termination (each such date hereinafter called a "Settlement Date"), the Vendee shall, subject to the limitations contained in the ninth paragraph of Article 4 hereof, pay to the Vendor (i) in the case of a Casualty Occurence, a sum equal to the Casualty Value (as hereinafter defined in this Article 7) of such unit suffering a Casualty Occurrence as of such Settlement Date, together with an amount equal to accrued interest thereon (as hereinafter provided) and (ii) in the case of a Termination, a sum equal to the Termination Value (as hereinafter defined in this Article 7) of such unit subject to such Termination as of such Settlement Date. The Vendee shall file, or cause to be filed, with the Vendor a certificate setting forth the Casualty Value of such unit or the Termination Value of such unit, as the case may be. Any money paid to the Vendor pursuant to this paragraph shall be applied (after the payment of the interest and principal due on such date) on the date of such payment to prepay without penalty or premium, except in the case of a Termination, ratably in accordance with the unpaid balance of each installment, the CSA Indebtedness, together with all interest accrued and unpaid on the portion of the CSA Indebtedness being prepaid. The Vendee shall promptly cause to be furnished to the Vendor and the Lessee a revised schedule of payments of principal and interest thereafter to be made, in such number of counterparts as the Assignee may request, calculated as provided in Article 4 hereof. In the event of the requisition for use by the United States Government of any unit of the Equipment, all of the Vendee's obligations hereunder with respect to such unit shall continue to the same extent as

if such requisition had not occurred.

The Casualty Value of each unit of the Equipment shall be deemed to be that portion of the Purchase Price thereof referred to in subparagraph (b) of the third paragraph of Article 4 hereof remaining unpaid on the date (after the payment of the interest and principal due on such date) as of which such Casualty Value shall be determined (without giving effect to any prepayment or prepayments theretofore made under this Article with respect to any other unit). For the purpose of this paragraph and the next succeeding paragraph hereof, each payment of the Purchase Price made pursuant to Article 4 hereof shall be deemed to be a payment with respect to each unit of Equipment in like proportion as the original Purchase Price of such unit bears to the aggregate original Purchase Price of all the Equipment.

The Termination Value of any unit shall be: (a) in the case of an Obsolescence Termination (as defined in the Lease), an amount equal to the Casualty Value; or (b) in the case of a Surplus Termination (as defined in the Lease), an amount equal to the sum of (i) the Casualty Value thereof plus (ii) a prepayment penalty premium equal to the product of the multiplication of such Casualty Value by the applicable percentage set forth below:

Settlement Date	Percentage
January 1, 1992	7.03%
July 1, 1992	6.66
January 1, 1993	6.29
July 1, 1993	5.92
January 1, 1994	5.55
July 1, 1994	5.18
January 1, 1995	4.81
July 1, 1995	4.44
January 1, 1996	4.07
July 1, 1996	3.70
January 1, 1997	3.33
July 1, 1997	2.96
January 1, 1998	2.59
July 1, 1998	2.22
January 1, 1999	1.85
July 1, 1999	1.48
January 1, 2000	1.11
July 1, 2000	.74
January 1, 2001	.37
July 1, 2001	0.00

Upon payment by the Vendee to the Vendor (i) of the Casualty Value of any unit of the Equipment having suffered a Casualty Occurrence or (ii) of the Termination Value of any unit subject to a Termination, absolute right to the possession of, title to and property in such unit shall pass to and vest in the Vendee, without further transfer or action on the part of the Vendor, except that the Vendor, if requested by the Vendee, will execute and deliver to the Vendee, at the expense of the Vendee, an appropriate instrument confirming such passage to the Vendee of all the Vendor's right, title and interest, and the release of the Vendor's security interest, in such unit, in recordable form, in order that the Vendee may make clear upon the public records the title of the Vendee to such unit.

If the Vendor shall receive any insurance proceeds or condemnation payments in respect of such units suffering a Casualty Occurrence, the Vendor shall, subject to the Vendor having received payment of the Casualty Value hereunder, pay such insurance proceeds or condemnation payments to the Vendee. All insurance proceeds or condemnation payments received by the Vendor in respect of any unit or units of Equipment not suffering a Casualty Occurrence shall be paid to the Vendee upon proof satisfactory to the Vendor that any damage to such unit in respect of which such proceeds were paid has been fully repaired.

ARTICLE 8. Reports and Inspections. On or before April 30 in each year, commencing with the year 1982, the Vendee shall cause to be furnished to the Vendor an accurate statement to the effect set forth in § 8 of the Lease. The Vendor shall have the right, by its agents, to inspect the Equipment and the Lessee's records with respect to matters reasonably related hereto at such reasonable times as the Vendor may request during the term of this Agreement, subject to the Lessee's applicable secrecy, safety and security regulations for the property involved.

ARTICLE 9. Marking of Equipment. The Vendee will cause each unit of the Equipment to be kept numbered with the road number and marked as provided in § 5 of the Lease. The Vendee will not permit any such unit to be placed in operation or exercise any control or dominion over the same until such markings shall have been made thereon and will replace or will cause to be replaced promptly any such markings which may be removed, obliter-

ated, defaced or destroyed. The Vendee will not permit the identifying number of any unit of the Equipment to be changed except in accordance with a statement of new number or numbers to be substituted therefor, which statement previously shall have been filed with the Vendor and filed, recorded and deposited by the Vendee in all public offices where this Agreement shall have been filed, recorded and deposited.

Except as provided in the immediately preceding paragraph, the Vendee will not allow the name of any person, association or corporation to be placed on any unit of the Equipment as a designation that might be interpreted as a claim of ownership; provided, however, that the Equipment may be lettered with the names or initials or other insignia customarily used by the Lessee or its affiliates or any permitted sublessees.

ARTICLE 10. Compliance with Laws and Rules. During the term of this Agreement, the Vendee will comply, and will cause every lessee or user of the Equipment to comply, in all respects (including, without limitation, with respect to the use, maintenance and operation of the Equipment) with all laws of the jurisdictions in which its or such lessee's or user's operations involving the Equipment may extend, with the interchange rules of the Association of American Railroads and with all lawful rules of the Department of Transportation, the Interstate Commerce Commission and any other legislative, executive, administrative or judicial body exercising any power or jurisdiction over the Equipment, to the extent that such laws and rules affect the title, operation or use of the Equipment, and in the event that such laws or rules require any alteration, replacement or modification of or to any part of any unit of the Equipment, the Vendee will conform therewith at its own expense; provided, however, that the Vendee or the Lessee may, in good faith, contest the validity or application of any such law or rule in any reasonable manner which does not, in the reasonable opinion of the Vendor, adversely affect the property or rights of the Vendor under this Agreement.

ARTICLE 11. Possession and Use. The Vendee, so long as an event of default shall not have occurred and be continuing under this Agreement, shall be entitled, from and after delivery of the Equipment by the Builder to the Vendee, to the possession of the Equipment and the use

thereof, but only upon and subject to all the terms and conditions of this Agreement.

The parties hereto acknowledge that the Vendee simultaneously is leasing the Equipment to the Lessee as provided in the Lease, and the rights of the Lessee and its permitted assigns under the Lease shall be subordinated and junior in rank to the rights, and shall be subject to the remedies, of the Vendor under this Agreement. The Lease shall not be amended or terminated (except in accordance with its terms) without the prior written consent of the Vendor.

ARTICLE 12. Prohibition Against Liens. The Vendee will pay or discharge any and all sums claimed by any party from, through or under the Vendee or its successors or assigns which, if unpaid, might become a lien, charge or security interest on or with respect to the Equipment, or any unit thereof, or the Vendee's interests in the Lease and the payments to be made thereunder equal or superior to the Vendor's security interest therein, and will promptly discharge any such lien, charge or security interest which arises, but the Vendee shall not be required to pay or discharge any such claim so long as the validity thereof shall be contested in good faith and by appropriate legal or administrative proceedings in any reasonable manner and the nonpayment thereof does not, in the reasonable opinion of the Vendor, adversely affect the security interest of the Vendor in or to the Equipment or otherwise under this Agreement. Any amounts paid by the Vendor in discharge of liens, charges or security interests upon the Equipment shall be secured by and under this Agreement.

This covenant will not be deemed breached by reason of liens for taxes, assessments or governmental charges or levies, in each case not due and delinquent, or undetermined or inchoate materialmen's, mechanics', workmen's, repairmen's or other like liens arising in the ordinary course of business and, in each case, not delinquent.

The foregoing provisions of this Article 12 shall be subject to the limitations set forth in the last paragraph of Article 4 hereof and the provisions of Article 21 hereof; provided, however, that the Vendee will pay or discharge any and all taxes, claims, liens, charges or

security interests claimed by any party from, through or under the Vendee or its successors or assigns, not arising out of the transactions contemplated hereby (but including taxes arising out of the receipt of the rentals and other payments under the Lease and any other proceeds from the Equipment), which, if unpaid, might become a lien, charge or security interest on or with respect to the Equipment, or any unit thereof, or the Vendee's interest in the Lease and the payments to be made thereunder, but the Vendee shall not be required to pay or discharge any such claim so long as the validity thereof shall be contested in good faith and by appropriate legal or administrative proceedings in any reasonable manner and the nonpayment thereof does not, in the reasonable opinion of the Vendor, adversely affect the security interest of the Vendor in or to the Equipment or otherwise under this Agreement or in and to the Lease and the payments to be made thereunder.

ARTICLE 13. Indemnities and Warranties. The Vendee agrees to indemnify, protect and hold harmless the Vendor from and against all losses, damages, injuries, liabilities, claims and demands whatsoever, regardless of the cause thereof, and expenses in connection therewith, including but not limited to counsel fees and expenses, penalties and interest, arising out of or as the result of the entering into or the performance of this Agreement, the retention by the Vendor of title to or a security interest in the Equipment, the ordering, acquisition, use, operation, condition, purchase, delivery, rejection, storage or return of any of the Equipment, any accident in connection with the operation, use, condition, possession, storage or return of any of the Equipment resulting in damage to property or injury or death to any person during the period when title thereto or a security interest therein remains in the Vendor or the transfer of title to the Equipment by the Vendor pursuant to any of the provisions of this Agreement, except however, in the case of any Builder, any losses, damages, injuries, liabilities, claims and demands whatsoever arising out of any tort, breach of warranty or failure to perform any covenant hereunder by such Builder. This covenant of indemnity shall continue in full force and effect notwithstanding the full payment of the indebtedness in respect of the Purchase Price of, and the release of the security interest in, the Equipment, as provided in Article 5 hereof, or the termination of this Agreement in any manner whatsoever.

The Vendee will bear the responsibility for and risk of, and shall not be released from its obligations hereunder (except as provided in Article 21 hereof) in the event of, any damage to or the destruction or loss of any unit of or all the Equipment.

Each Builder represents and warrants to the Vendee that, at the time of delivery and acceptance of each unit of its Equipment under this Agreement, the Vendee will have good and marketable title to such unit, free and clear of all claims, liens, security interests and other encumbrances of any nature except only the rights of the Vendor under this Agreement and the rights of the Lessee under the Lease.

Each Builder represents that it is not entering into this Agreement, or entering into any assignment of this Agreement, directly or indirectly in connection with any arrangement or understanding in any way involving any employee benefit plan (other than a governmental plan) with respect to which it is a party in interest, all within the meaning of the Employee Retirement Income Security Act of 1974.

The agreement of the parties relating to each Builder's warranty of material and workmanship and the agreement of the parties relating to patent indemnification are set forth in Items 3 and 4 of Annex A hereto.

ARTICLE 14. Assignments. The Vendee will not (a) except as provided in Article 11 hereof, transfer the right to possession of any unit of the Equipment or (b) without the prior written consent of the Vendor (which consent shall not unreasonably be withheld) sell, assign, transfer or otherwise dispose of its rights under this Agreement. Any such sale, assignment, transfer or disposition which may be made by the Vendee to another party shall be subject to the assumption by such party of all the obligations of the Vendee hereunder.

All or any of the rights, benefits and advantages of the Vendor under this Agreement, including the right to receive the payments herein provided to be made by the Vendee, may be assigned by the Vendor and reassigned by any assignee at any time or from time to time. No such assignment shall subject any assignee to, or relieve any Builder from, any of the obligations of such Builder to construct and deliver its Equipment in accordance herewith

or to respond to its warranties and indemnities referred to in Article 13 hereof, or relieve the Vendee of its obligations to such Builder contained in Articles 2, 3, 4, 6 and 13 hereof, Annex A hereto and this Article 14, or any other obligation which, according to its terms or context, is intended to survive an assignment.

Upon any such assignment, the assignor shall give written notice to the Vendee and the Lessee, together with a counterpart or copy of such assignment, stating the identity and post office address of the assignee, and such assignee shall, by virtue of such assignment, acquire all the assignor's right, title and interest in and to the Equipment and this Agreement, or in and to a portion thereof, as the case may be, subject only to such reservations as may be contained in such assignment. From and after the receipt by the Vendee of the notification of any such assignment, all payments thereafter to be made by the Vendee under this Agreement shall, to the extent so assigned, be made to the assignee in such manner as it may direct.

The Vendee recognizes that this Agreement will be assigned to the Assignee as provided in the CSA Assignment. The Vendee expressly represents, for the purpose of assurance to any person, firm or corporation considering the acquisition of this Agreement or of all or any of the rights of the Vendor hereunder, and for the purpose of inducing such acquisition, that, subject to the provisions of the last paragraph of Article 4 hereof, the rights of the Assignee to the entire unpaid indebtedness in respect of the Purchase Price of the Equipment or such part thereof as may be assigned together with interest thereon, as well as any other rights hereunder which may be so assigned, shall not be subject to any defense, setoff, counterclaim or recoupment whatsoever arising out of any breach of any obligation of any Builder with respect to the Equipment or the manufacture, construction, delivery or warranty thereof, or with respect to any indemnity herein contained, nor subject to any defense, setoff, counterclaim or recoupment whatsoever arising by reason of any other indebtedness or liability at any time owing to the Vendee or the Lessee by any Builder. Any and all such obligations, howsoever arising, shall be and remain enforceable by the Vendee or the Lessee, as the case may be, against and only against the Builders.

ARTICLE 15. <u>Defaults.</u> In the event that any one

or more of the following events of default shall occur and be continuing, to wit:

(a) the Vendee shall fail to pay in full any sum payable by the Vendee when payment thereof shall be due hereunder (irrespective of the provisions of Article 4 or 21 hereof or any other provision of this Agreement limiting the liability of the Vendee) and such default shall continue for 15 days after the date such payment is due and payable; or

(b) the Vendee (irrespective of the provisions of Article 4 or 21 hereof or any other provision of this Agreement limiting the liability of the Vendee) or the Lessee shall, for more than 30 days after the Vendor shall have demanded in writing performance thereof, fail or refuse to comply with any other covenant, agreement, term or provision of this Agreement, or of any agreement entered into concurrently herewith relating to the financing of the Equipment, on its part to be kept and performed or to make provision satisfactory to the Vendor for such compliance; or

(c) any proceeding shall be commenced by or against the Vendee or the Lessee for any relief which includes, or might result in, any modification of the obligations of the Vendee hereunder or of the Lessee under the Lease or the Consent under any bankruptcy or insolvency laws, or laws relating to the relief of debtors, readjustment of indebtedness, reorganizations, arrangements, compositions or extensions (other than a law which does not permit any readjustment of such obligations), and, unless such proceedings shall have been dismissed, nullified, stayed or otherwise rendered ineffective (but then only so long as such stay shall continue in force or such ineffectiveness shall continue), all the obligations of the Vendee or of the Lessee under this Agreement, the Lease, the Lease Assignment, the Consent and/or the Participation Agreement, as the case may be, shall not have been and shall not continue to have been duly assumed in writing, pursuant to a court order or decree, by a trustee or trustees or receiver or receivers appointed for the Vendee or the Lessee, as the case may be, or for their respective property in connection with any such proceedings in such manner that such obligations

shall have the same status as obligations incurred by such trustee or trustees or receiver or receivers, within 60 days after such proceedings shall have been commenced; or

(d) the Vendee shall make or permit any unauthorized assignment or transfer of this Agreement or any interest herein or any unauthorized transfer of the right to possession of any unit of the Equipment and the Vendee shall, for more than 30 days after demand in writing by the Vendor, fail to secure a reassignment or retransfer to the Vendee of such Agreement, interest or right; or

(e) any Event of Default (as defined in the Lease) shall have occurred and be continuing under the Lease; provided, however, that an Event of Default under clause (A) of § 10 of the Lease shall not be deemed to be an event of default hereunder if (1) within the 15 business days' period provided by subparagraph (a) of this Article 15, the Vendee shall make payment of all amounts in default under said subparagraph (a) hereunder and (2) there is no other event of default under this Article 15;

then at any time after the occurrence of such an event of default the Vendor may, upon written notice to the Vendee and the Lessee and upon compliance with any legal requirements then in force and applicable to such action by the Vendor, (i) subject to the proviso in the second paragraph of § 4 of the Lease relating to the Lessee's rights of possession, use and assignment under § 12 of the Lease, cause the Lease immediately upon such notice to terminate (and the Vendee acknowledges the right of the Vendor to terminate the Lease), but without affecting the indemnities which by the provisions of the Lease survive its termination, provided, however, that such termination shall not be in derogation of or impair the rights of the Vendee to enforce compliance by the Lessee with any of its covenants and agreements under the Lease or to enforce any of its rights and remedies under § 10 of the Lease (subject to the Vendor's rights to repossess and sell the Equipment as provided herein), including the rights of the Vendee to sue for and recover damages provided for in § 11(a) of the Lease upon the occurrence of an Event of Default under the Lease, and/or (ii) declare (hereinafter called a "Declaration of Default") the entire unpaid CSA Indebted-

ness, together with the interest thereon then accrued and unpaid, immediately due and payable, without further demand, and thereafter the aggregate of the unpaid balance of such Indebtedness and interest shall bear interest from the date of such Declaration of Default at the rate per annum specified in Article 4 hereof as being applicable to amounts remaining unpaid after becoming due and payable, to the extent legally enforceable. Upon a Declaration of Default, subject to Article 4 hereof, the Vendor shall be entitled to recover judgment for the entire unpaid balance of the CSA Indebtedness so payable, with interest as aforesaid, and to collect such judgment out of any property of the Vendee, subject to the provisions of Article 4 hereof, wherever situated. The Vendee shall promptly notify the Vendor of any event of which it has knowledge which constitutes, or with the giving of notice and/or lapse of time could constitute, an event of default under this Agreement.

The Vendor may, at its election, waive any such event of default and its consequences and rescind and annul any Declaration of Default or notice of termination of the Lease by notice to the Vendee and the Lessee in writing to that effect, and thereupon the respective rights of the parties shall be as they would have been if no such event of default had occurred and no Declaration of Default or notice of termination of the Lease had been made or given. Notwithstanding the provisions of this paragraph, it is expressly understood and agreed by the Vendee that time is of the essence of this Agreement and that no such waiver, rescission or annulment shall extend to or affect any other or subsequent default or impair any rights or remedies consequent thereon.

ARTICLE 16. Remedies. Subject to the Lessee's rights of possession, use and assignment under §§ 4 and 12 of the Lease, at any time during the continuance of a Declaration of Default, the Vendor may, and upon such further notice, if any, as may be required for compliance with any mandatory legal requirements then in force and applicable to the action to be taken by the Vendor, take or cause to be taken, by its agent or agents, immediate possession of the Equipment, or one or more of the units thereof, without liability to return to the Vendee any sums theretofore paid and free from all claims whatsoever, except as hereinafter in this Article 16 expressly provided, and may remove the same from possession and use of

the Vendee or any other person and for such purpose may enter upon the premises of the Vendee or any other premises where the Equipment may be located and may use and employ in connection with such removal any supplies, services and aids and any available trackage and other facilities or means of the Vendee, subject to all mandatory requirements of due process of law.

In case the Vendor shall demand possession of the Equipment pursuant to this Agreement and shall designate a reasonable point or points for the delivery of the Equipment to the Vendor, the Vendee shall, at its own expense and risk:

(a) forthwith and in the usual manner (including, but not by way of limitation, causing prompt telegraphic and written notice to be given to the Association of American Railroads and all railroads to which any unit or units of the Equipment have been interchanged to return the unit or units so interchanged) cause the Equipment to be placed upon such storage tracks of the Lessee or, at the expense of the Vendee, upon any other storage tracks, as the Vendor reasonably may designate;

(b) permit the Vendor to store the Equipment on such tracks at the risk of the Vendee without charge for rent or storage until the Equipment has been sold, leased or otherwise disposed of by the Vendor; and

(c) cause the Equipment to be transported to any reasonable place on any lines of railroad or to any connecting carrier for shipment, all as directed by the Vendor.

During any storage period, the Vendee will, at its own cost and expense, insure, maintain and keep each such unit in good order and repair and will permit the inspection of the Equipment by the Vendor, the Vendor's representatives and prospective purchasers, lessees and users. This agreement to deliver the Equipment and furnish facilities as hereinbefore provided is of the essence of the agreement between the parties, and, upon application to any court of equity having jurisdiction in the premises, the Vendor shall be entitled to a decree against the Vendee requiring specific performance hereof. The Vendee hereby expressly waives any

and all claims against the Vendor and its agent or agents for damages of whatever nature in connection with any retaking of any unit of the Equipment in any reasonable manner.

At any time during the continuance of a Declaration of Default, the Vendor (after retaking possession of the Equipment as hereinbefore in this Article 16 provided) may, at its election and upon such notice as is hereinafter set forth, retain the Equipment in satisfaction of the entire CSA Indebtedness and make such disposition thereof as the Vendor shall deem fit. Written notice of the Vendor's election to retain the Equipment shall be given to the Vendee and the Lessee by telegram or registered mail, addressed as provided in Article 20 hereof, and to any other persons to whom the law may require notice, within 30 days after such Declaration of Default. In the event that the Vendor should elect to retain the Equipment and no objection is made thereto within the 30-day period described in the second proviso below, all the Vendee's rights in the Equipment shall thereupon terminate and all payments made by the Vendee or for its account may be retained by the Vendor as compensation for the use of the Equipment; provided, however, that if the Vendee, before the expiration of the 30-day period described in the proviso below, should pay or cause to be paid to the Vendor the total unpaid balance of the CSA Indebtedness, together with interest thereon accrued and unpaid and all other payments due under this Agreement, then in such event absolute right to the possession of, title to and property in the Equipment shall pass to and vest in the Vendee; provided, further, that if the Vendee, the Lessee or any other persons notified under the terms of this paragraph object in writing to the Vendor within 30 days from the receipt of notice of the Vendor's election to retain the Equipment, then the Vendor may not so retain the Equipment, but shall sell, lease or otherwise dispose of it or continue to hold it pending sale, lease or other disposition as hereinafter provided or as may otherwise be permitted by law. If the Vendor shall not have given notice to retain as hereinabove provided or notice of intention to dispose of the Equipment in any other manner, it shall be deemed to have elected to sell the Equipment in accordance with the provisions of this Article 16.

At any time during the continuance of a Declaration of Default, the Vendor, with or without retaking

possession thereof, at its election and upon reasonable notice to the Vendee, the Lessee and any other persons to whom the law may require notice of the time and place, may sell the Equipment, or one or more of the units thereof, free from any and all claims of the Vendee, the Lessee or any other party claiming from, through or under the Vendee or the Lessee, at law or in equity, at public or private sale and with or without advertisement as the Vendor may determine; provided, however, that if, prior to such sale and prior to the making of a contract for such sale, the Vendee should tender full payment of the total unpaid balance of the CSA Indebtedness, together with interest thereon accrued and unpaid and all other payments due under this Agreement as well as expenses of the Vendor in retaking possession of, removing, storing, holding and preparing the Equipment for, and otherwise arranging for, the sale and the Vendor's reasonable attorneys' fees, then upon receipt of such payment, expenses and fees by the Vendor, absolute right to the possession of, title to and property in the Equipment shall pass to and vest in the Vendee. The proceeds of such sale or other disposition, less the attorneys' fees and any other expenses incurred by the Vendor in retaking possession of, removing, storing, holding, preparing for sale and selling or otherwise disposing of the Equipment, shall be credited on the amount due to the Vendor under the provisions of this Agreement.

Any sale hereunder may be held or conducted at New York, New York, at such time or times as the Vendor may specify (unless the Vendor shall specify a different place or places, in which case the sale shall be held at such place or places as the Vendor may specify), in one lot and as an entirety or in separate lots and without the necessity of gathering at the place of sale the property to be sold, and in general in such manner as the Vendor may determine, so long as such sale shall be in a commercially reasonable manner. The Vendor, the Vendee or the Lessee may bid for and become the purchaser of the Equipment, or any unit thereof, so offered for sale. The Vendee and the Lessee shall be given written notice of such sale not less than 10 days prior thereto, by telegram or registered mail addressed as provided in Article 20 hereof. If such sale shall be a private sale (which shall be deemed to mean only a sale where an advertisement for bids has not been published in a newspaper of general circulation or a sale where less than 40 railroads have been solicited in writing to submit bids), it shall be subject to the rights of the

Lessee and the Vendee to purchase or provide a purchaser, within 10 days after notice of the proposed sale price, at the same price offered by the intending purchaser or a better price. In the event that the Vendor shall be the purchaser of the Equipment, it shall not be accountable to the Vendee or the Lessee (except to the extent of surplus money received as hereinafter provided in this Article 16), and in payment of the purchase price therefor the Vendor shall be entitled to have credited on account thereof all or any part of sums due to the Vendor hereunder.

Each and every power and remedy hereby specifically given to the Vendor shall be in addition to every other power and remedy hereby specifically given or now or hereafter existing at law or in equity, and each and every power and remedy may be exercised from time to time and simultaneously and as often and in such order as may be deemed expedient by the Vendor. All such powers and remedies shall be cumulative, and the exercise of one shall not be deemed a waiver of the right to exercise any other or others. No delay or omission of the Vendor in the exercise of any such power or remedy and no renewal or extension of any payments due hereunder shall impair any such power or remedy or shall be construed to be a waiver of any default or an acquiescence therein. Any extension of time for payment hereunder or other indulgence duly granted to the Vendee or the Lessee shall not otherwise alter or affect the Vendor's rights or the Vendee's obligations hereunder. The Vendor's acceptance of any payment after it shall have become due hereunder shall not be deemed to alter or affect the Vendee's obligations or the Vendor's rights hereunder with respect to any subsequent payments or default therein.

If, after applying all sums of money realized by the Vendor under the remedies herein provided, there shall remain any amount due to it under the provisions of this Agreement, the Vendee shall pay the amount of such deficiency to the Vendor upon demand, together with interest thereon from the date of such demand to the date of payment at the rate per annum specified in Article 4 hereof as being applicable to amounts remaining unpaid after becoming due and payable, and, if the Vendee shall fail to pay such deficiency, the Vendor may bring suit therefor and shall, subject to the limitations of the last paragraph of Article 4 hereof, be entitled to recover a judgment therefor against the Vendee. If, after applying as aforesaid all

sums realized by the Vendor, there shall remain a surplus in the possession of the Vendor, such surplus shall be paid to the Vendee.

The Vendee will pay all reasonable expenses, including attorneys' fees, incurred by the Vendor in enforcing its remedies under the terms of this Agreement. In the event that the Vendor shall bring any suit to enforce any of its rights hereunder and shall be entitled to judgment, then in such suit the Vendor may recover reasonable expenses, including reasonable attorneys' fees, and the amount thereof shall be included in such judgment.

The foregoing provisions of this Article 16 are subject in all respects to all mandatory legal requirements at the time in force and applicable thereto.

ARTICLE 17. Applicable State Laws. Any provision of this Agreement prohibited by any applicable law of any jurisdiction shall as to such jurisdiction be ineffective, without modifying the remaining provisions of this Agreement. Where, however, the conflicting provisions of any such applicable law may be waived, they are hereby waived by the Vendee to the full extent permitted by law, it being the intention of the parties hereto that this Agreement shall be deemed to be a conditional sale and enforced as such.

Except as otherwise provided in this Agreement, the Vendee, to the full extent permitted by law, hereby waives all statutory or other legal requirements for any notice of any kind, notice of intention to take possession of or to sell or lease the Equipment, or any one or more units thereof, and any other requirements as to the time, place and terms of the sale or lease thereof, any other requirements with respect to the enforcement of the Vendor's rights under this Agreement and any and all rights of redemption.

ARTICLE 18. Recording. The Vendee will cause this Agreement, any assignments hereof and any amendments or supplements hereto or thereto to be filed and recorded with the Interstate Commerce Commission pursuant to 49 U.S.C. § 11303; and the Vendee will from time to time do and perform any other act and will execute, acknowledge, deliver, file, register, deposit and record any and all further instruments required by law or reasonably requested

by the Vendor for the purpose of proper protection, to the satisfaction of counsel for the Vendor, of its interest in the Equipment and its rights under this Agreement or for the purpose of carrying out the intention of this Agreement; and the Vendee will promptly furnish or cause to be furnished to the Vendor certificates or other evidence of such filing, registering, depositing and recording satisfactory to the Vendor.

ARTICLE 19. Article Headings; Effect and Modification of Agreement. All article headings are inserted for convenience only and shall not affect any construction or interpretation of this Agreement.

Except for the Participation Agreement, this Agreement, including the Annexes hereto, exclusively and completely states the rights of the Vendor and the Vendee with respect to the Equipment and supersedes all other agreements, oral or written, with respect to the Equipment. No variation or modification of this Agreement and no waiver of any of its provisions or conditions shall be valid unless in writing and signed by duly authorized representatives of the Vendor and the Vendee.

ARTICLE 20. Notice. Any notice hereunder to any of the parties designated below shall be deemed to be properly served if delivered or mailed to it by first class mail, postage prepaid, at the following addresses

(a) to the Vendee, at One Embarcadero Center, San Francisco, California 94111, Attention of Manager, Operations Department--LEV,

(b) to the Lessee, at 2020 Dow Center, Midland, Michigan 48640, Attention of Treasurer-Dow Chemical, U.S.A.

(c) to a Builder, at its address specified in Item 1 of Annex A hereto,

(d) to any assignee of the Vendor, or of the Vendee, at such address as may have been furnished in writing to the Vendee, or the Vendor, as the case may be, and to the Lessee, by such assignee,

or at such other address as may have been furnished in writing by such party to the other parties to this Agree-

ment.

ARTICLE 21. Immunities; Satisfaction of Undertakings. No recourse shall be had in respect of any obligation due under this Agreement, or referred to herein, against any incorporator, stockholder, director or officer, as such, past, present or future, of the parties hereto, whether by virtue of any constitutional provision, statute or rule of law, or by enforcement of any assessment or penalty or otherwise, all such liability, whether at common law, in equity, by any constitutional provision, statute or otherwise, of such incorporators, stockholders, directors or officers, as such, being forever released as a condition of and as consideration for the execution of this Agreement.

The obligations of the Vendee under the second paragraph of Article 16 and under Articles 3, 6, 7 (other than the third and fifth sentences of the second paragraph thereof to the extent that certificates or payment schedules are required to be prepared and furnished therein), 8, 9, 10, 12 (other than the proviso to the last paragraph thereof), 13 and 18 hereof shall be deemed in all respects satisfied by the Lessee's undertakings contained in the Lease. The Vendee shall not have any responsibility for the Lessee's failure to perform such obligations, but if the same shall not be performed they shall constitute the basis for an event of default hereunder pursuant to Article 15 hereof. No waiver or amendment of the Lessee's undertakings under the Lease shall be effective unless joined in by the Vendor.

ARTICLE 22. Law Governing. The terms of this Agreement and all rights and obligations hereunder shall be governed by the laws of the State of New York; provided, however, that the parties shall be entitled to all rights conferred by 49 U.S.C. § 11303 and such additional rights arising out of the filing, recording or deposit hereof, if any, and of any assignment hereof as shall be conferred by the laws of the several jurisdictions in which this Agreement or any assignment hereof shall be filed, recorded or deposited.

ARTICLE 23. Execution. This Agreement may be executed in any number of counterparts, such counterparts together constituting but one and the same contract, but the counterpart delivered to the Assignee pursuant to

the CSA Assignment shall be deemed the original and all other counterparts shall be deemed duplicates thereof. Each Builder shall be bound hereunder notwithstanding the failure of any other Builder to execute and deliver this Agreement or to perform its obligations hereunder. Although for convenience this Agreement is dated as of the date first above written, the actual date or dates of execution hereof by the parties hereto is or are, respectively, the date or dates stated in the acknowledgments hereto annexed.

IN WITNESS WHEREOF, the parties hereto have executed or caused this instrument to be executed all as of the date first above written.

ACF INDUSTRIES, INCORPORATED,

by

[CORPORATE SEAL] Vice President

Attest:

Assistant Secretary

GENERAL AMERICAN TRANSPORTATION CORPORATION,

by George Cyates

[CORPORATE SEAL] Senior Vice President

Attest:

Asst Secretary

RICHMOND TANK CAR COMPANY,

by

[CORPORATE SEAL]

Vice President

Attest:

Secretary

SECURITY PACIFIC EQUIPMENT
LEASING, INC.,

by

[CORPORATE SEAL]

Attest:

Secretary

STATE OF NEW YORK,)
) ss.:
COUNTY OF NEW YORK,)

On this day of 1981, before me personally appeared , to me personally known, who, being by me duly sworn, says that he is a Vice President of ACF INDUSTRIES, INCORPORATED, that one of the seals affixed to the foregoing instrument is the corporate seal of said Corporation, that said instrument was signed and sealed on behalf of said Corporation by authority of its Board of Directors and he acknowledged that the execution of the foregoing instrument was the free act and deed of said Corporation.

[Notarial Seal] _____ Notary Public

My Commission expires

STATE OF ILLINOIS,)
) ss.:
COUNTY OF COOK,)

On this 30 day of January 1981, before me personally appeared George C. Yates, to me personally known, who, being by me duly sworn, says that he is a Vice President of GENERAL AMERICAN TRANSPORTATION CORPORATION, that one of the seals affixed to the foregoing instrument is the corporate seal of said Corporation, that said instrument was signed and sealed on behalf of said Corporation by authority of its Board of Directors and he acknowledged that the execution of the foregoing instrument was the free act and deed of said Corporation.

[Notarial Seal] _____ Notary Public

My Commission expires Oct 8 1981

STATE OF TEXAS,)
) ss.:
COUNTY OF HARRIS,)

On this day of 1981, before me personally appeared , to me personally known, who, being by me duly sworn, says that he is a Vice President of RICHMOND TANK CAR COMPANY, that one of the seals affixed to the foregoing instrument is the corporate seal of said Corporation, that said instrument was signed and sealed on behalf of said Corporation by authority of its Board of Directors and he acknowledged that the execution of the foregoing instrument was the free act and deed of said Corporation.

[Notarial Seal] _____
Notary Public

My Commission expires

STATE OF CALIFORNIA,)
) ss.:
COUNTY OF SAN FRANCISCO,)

On this day of 1981, before me personally appeared , to me personally known, who, being by me duly sworn, says that he is of SECURITY PACIFIC EQUIPMENT LEASING, INC., that one of the seals affixed to the foregoing instrument is the corporate seal of said Corporation and that said instrument was signed and sealed on behalf of said Corporation by authority of its Board of Directors and he acknowledged that the execution of the foregoing instrument was the free act and deed of said Corporation.

[Notarial Seal] _____
Notary Public

My Commission expires

SCHEDULE I

Allocation Schedule of Each $1,000,000
of 14% CSA Indebtedness Payable
in Installments

Payment Number	Date	Debt Service	Interest Payment	Principal Recovery	Rema Prir Bal
Interim	30 Jun 81	$ *	$ *	$ 0.00	$1,000
1	30 Dec 81	74,869.75	70,000.00	4,869.75	995
2	30 Jun 82	74,869.75	69,659.12	5,210.63	989
3	30 Dec 82	74,869.75	69,294.37	5,575.38	984
4	30 Jun 83	74,869.75	68,904.10	5,965.65	978
5	30 Dec 83	74,869.75	68,486.50	6,383.25	971
6	30 Jun 84	74,869.75	68,039.67	6,830.08	965
7	30 Dec 84	74,869.75	67,561.57	7,308.18	957
8	30 Jun 85	74,869.75	67,050.00	7,819.75	950
9	30 Dec 85	74,869.75	66,502.61	8,367.14	941
10	30 Jun 86	74,869.75	65,916.91	8,952.84	932
11	30 Dec 86	74,869.75	65,290.21	9,579.54	923
12	30 Jun 87	74,869.75	64,619.65	10,250.10	912
13	30 Dec 87	74,869.75	63,902.14	10,967.61	901
14	30 Jun 88	74,869.75	63,134.41	11,735.34	890
15	30 Dec 88	74,869.75	62,312.93	12,556.82	877
16	30 Jun 89	74,869.75	61,433.96	13,435.79	864
17	30 Dec 89	74,869.75	60,493.45	14,376.30	849,
18	30 Jun 90	74,869.75	59,487.11	15,382.64	834,
19	30 Dec 90	74,869.75	58,410.32	16,459.43	817,
20	30 Jun 91	74,869.75	57,258.16	17,611.59	800,
21	30 Dec 91	91,507.46	56,025.35	35,482.11	764,
22	30 Jun 92	82,358.95	53,541.61	28,817.34	736,
23	30 Dec 92	78,591.01	51,524.39	27,066.62	708,
24	30 Jun 93	75,469.39	49,629.73	25,839.66	683,
25	30 Dec 93	72,386.64	47,820.95	24,565.69	658,
26	30 Jun 94	70,323.25	46,101.35	24,221.90	634,
27	30 Dec 94	68,300.19	44,405.82	23,894.37	610,
28	30 Jun 95	67,266.82	42,733.22	24,533.60	585,
29	30 Dec 95	66,242.66	41,015.86	25,226.80	560,
30	30 Jun 96	65,197.59	39,249.99	25,947.60	534,
31	30 Dec 96	64,124.21	37,433.66	26,690.55	508,
32	30 Jun 97	63,097.13	35,565.32	27,531.81	480,
33	30 Dec 97	62,041.30	33,638.09	28,403.21	452,
34	30 Jun 98	61,025.99	31,649.87	29,376.12	422,
35	30 Dec 98	77,159.57	29,593.54	47,566.03	375,
36	30 Jun 99	91,507.46	26,263.91	65,243.55	309,
37	30 Dec 99	91,507.46	21,696.87	69,810.59	240,
38	30 Jun 00	91,507.46	16,810.12	74,697.34	165,
39	30 Dec 00	91,507.46	11,581.31	79,926.15	85,
40	30 Jun 01	91,507.63	5,986.48	85,521.15	
Totals		$3,020,024.63	$2,020,024.63	$1,000,000.00	$

* Interest only on the CSA Indebtedness shall be payable to the extent accrued on this date.

Annex A

to

Conditional Sale Agreement

Item 1: (a) ACF Industries, Incorporated, 750 Third Avenue, New York, New York 10017.

(b) General American Transportation Corporation, 120 South Riverside Plaza, Chicago, Illinois 60606, attention of Law Department.

(c) Richmond Tank Car Company, 1700 West Loop South (Suite 1500), Houston, Texas 77027, Attention of Jim F. Herring, Vice President.

Item 2: Unless the parties shall otherwise agree, the Equipment shall be settled for in not more than five Groups. It is expected that Closing Dates shall occur on or about February 17, 1981, March 4, 1981, and on or about the 15th of every month thereafter (but in no event after the Final Closing Date) until such time as all of the Equipment shall have been settled for.

Item 3: Each Builder warrants that the Equipment built by it will be built in accordance with the requirements, Specifications and standards set forth in Article 2 of the CSA to which this Annex A is attached (this "Agreement") and warrants its Equipment will be free from defects in material (except as to specialties incorporated therein which were specified or supplied by the Lessee and not manufactured by such Builder) and workmanship under normal use and service. If any unit of the Equipment covered by the above warranty does not meet the above warranty, within one year after the date of the acceptance of such unit by the Vendee, such Builder shall thereupon correct such defect (including nonconformance with the requirements, Specifications and standards set forth in Article 2 of this Agreement), either by (1) repairing or replacing such defective part or parts of any unit of the Equipment, provided that the Vendor or the Lessee notifies such Builder in writing promptly after discovery of such defect, and at the expense of the Lessee, makes such defective unit or units of the Equipment promptly available at such Builder's plant for any repair, or by (2) making available at such Builder's plant

the necessary repaired or replacement parts, as appropriate and agreed to by the parties. EXCEPT FOR THE OBLIGATIONS AND LIABILITIES OF EACH BUILDER UNDER ARTICLES 2, 3, 4 AND 13 OF THE AGREEMENT, THE FOREGOING WARRANTY OF EACH BUILDER IS EXPRESSLY IN LIEU OF ALL OTHER WARRANTIES, EXPRESS OR IMPLIED, INCLUDING ANY IMPLIED WARRANTY OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE, LIABILITY FOR LOST PROFIT OR FOR INDIRECT, INCIDENTAL, CONSEQUENTIAL OR COMMERCIAL LOSSES, AND OF ALL OTHER OBLIGATIONS OR LIABILITIES, AND NO BUILDER ASSUMES OR AUTHORIZES ANY PERSON TO ASSUME FOR IT ANY OTHER LIABILITY IN CONNECTION WITH THE CONSTRUCTION AND DELIVERY OF THE EQUIPMENT EXCEPT AS AFORESAID. IT IS FURTHER UNDERSTOOD AND AGREED THAT IN NO EVENT SHALL ANY BUILDER BE LIABLE FOR INDIRECT OR CONSEQUENTIAL DAMAGES OF ANY KIND.

Each Builder further agrees that neither the inspection as provided in Article 3 of this Agreement nor any examination nor the acceptance of any units of the Equipment as provided in said Article 3 shall be deemed a waiver or a modification by the Vendee of any of its rights under this Item 3.

Item 4: Each Builder agrees to indemnify, protect and hold harmless the Vendee and the Lessee from and against any and all liability, claims, costs, charges and expenses, including royalty payments and counsel fees, in any manner imposed upon or accruing against the Vendee or the Lessee because of the use in or about the construction or operation of any of its Equipment of any design, system, process, formula, combination, article or material which infringes or is claimed to infringe on any patent or other right, except any and all liability, claims, costs, charges and expenses, including royalty payments and counsel fees, in any manner imposed upon or accruing against the Vendee or the Lessee because of the use in or about the construction or operation of any of its Equipment of any design, system, process, formula, combination specified by the Lessee and not developed or purported to be developed by such Builder or any article or material specified by

the Lessee and not manufactured by such Builder. Each Builder agrees to and hereby does, to the extent legally possible without impairing any claim, right or cause of action hereinafter referred to, assign, set over and deliver to the Lessee every claim, right and cause of action which such Builder has or hereafter shall have against the seller or sellers of any designs, systems, processes, formulae, combinations, articles or materials specified by the Lessee and purchased or otherwise acquired by such Builder for use in or about the construction or operation of any of the Equipment, on the ground that any such design, system, process, formula, combination, article or material or operation thereof infringes or is claimed to infringe on any patent or other right. Such covenants of indemnity shall continue in full force and effect notwithstanding the full payment of all sums due under this Agreement, the satisfaction and discharge of this Agreement or the termination of this Agreement in any manner.

Item 5: The Maximum Purchase Price referred to in Article 4 of the CSA to which this Annex A is attached is $10,352,794.

Item 6: The Maximum CSA Indebtedness referred to in Article 4 of the CSA to which this Annex A is attached is $7,260,000.

Annex B
to
Conditional Sale Agreement

Type	AAR Mechanical Designation	Builder's Specifications	Builder's Plant	Quantity	Lessee's Road Numbers (Both Inclusive)	Estimated Unit Base Price	Estimated Total Base Price	Estimated Time and Place of Delivery
GATX 100-ton caustic soda tank cars	DOT 111A 100W-1	15,950 gal.	Sharon, Pa.	55	DOWX 7030-7084	$54,785	$3,013,175	Sharon, Pa., February and March 1981
GATX ethanolamine tank cars	DOT 111A 100W-6	20,000 gal.	Sharon, Pa.	7	DOWX 3264-3270	124,800	873,600	Sharon, Pa., February and March 1981
GATX 100-ton ethylene oxide tank cars	DOT 105A 300-W	25,000 gal.	Sharon, Pa.	23	DOWX 8402-8424	67,900	1,561,700	Sharon, Pa., February and March 1981
ACF 100-ton CF 2980 centerflow covered hopper cars	L-151	12-01075	Huntington, W. Va.	47	DOWX 2711-2757	42,000	1,974,000	January and February 1981 FOB Huntington W.Va. with deliery to common carrier for shipment to Brady, Texas
ACF 100-ton 25,000 gal. tank cars	T-527	18-15435	Milton, Pa.	13	DOWX 8465-8477	68,548	891,124	January and February 1981 Milton, Pa.
RTCC *Muriatic acid tank cars 28,000 gal. nominal capacity	T	20.ORC-Z	Sheldon, Tex.	18	DOWX 6856-6873	58,600	1,054,800	February and March 1981 Sheldon, Tex.
				163			$8,369,399	

ANNEX C
TO
CONDITIONAL SALE
AGREEMENT

[CS&M Ref: 2044-090]

LEASE OF RAILROAD EQUIPMENT

Dated as of January 1, 1981

Between

THE DOW CHEMICAL COMPANY,
Lessee,

And

SECURITY PACIFIC EQUIPMENT LEASING, INC.,
Lessor.

The rights and interests of the Lessor under this Lease are subject to a security interest in favor of Mercantile-Safe Deposit and Trust Company, as Agent for certain institutional investors. The original of this Lease is held by said Agent.

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LEASE OF RAILROAD EQUIPMENT dated as of January 1, 1981, between THE DOW CHEMICAL COMPANY, a Delaware corporation (the "Lessee"), and SECURITY PACIFIC EQUIPMENT LEASING, INC., a Delaware corporation (the "Lessor").

The Lessor is entering into a Conditional Sale Agreement dated as of the date hereof (the "CSA") with ACF INDUSTRIES, INCORPORATED, a New Jersey corporation, GENERAL AMERICAN TRANSPORTATION CORPORATION, a New York corporation, and RICHMOND TANK CAR COMPANY, a Delaware corporation (the "Builders"), by which the Builders have agreed to manufacture, sell and deliver to the Lessor the units of railroad equipment described in Schedule A hereto (the "Equipment").

The Builders are assigning their respective interests in the Security Documentation to Mercantile-Safe Deposit and Trust Company, a Maryland banking corporation, acting as agent (together with its successors and assigns the "Vendor") under a Participation Agreement dated as of the date hereof (the "Participation Agreement") with the Lessee, the Lessor and the parties named in Schedule A thereto (the "Investors").

The Lessee desires to lease such number of units of the Equipment as are delivered and accepted under the CSA (the "Units") at the rentals and for the terms and upon the conditions hereinafter provided.

The Lessor will assign this Lease for security to the Vendor pursuant to an Assignment of Lease and Agreement (the "Lease Assignment") and the Lessee will consent to the Lease Assignment pursuant to a Lessee's Consent and Agreement (the "Consent").

The Lessee will indemnify the Lessor against certain losses, liabilities and expenses pursuant to an indemnity agreement (the "Indemnity Agreement") substantially in the form of Exhibit C to the Participation Agreement.

NOW, THEREFORE, in consideration of the premises and of the rentals to be paid and the covenants hereinafter

mentioned to be kept and performed by the Lessee, the Lessor hereby leases the Units to the Lessee upon the following terms and conditions:

§ 1. Net Lease. This Lease is a net lease, and the Lessee shall not be entitled to any abatement of rent, reduction thereof or setoff against rent, including, but not limited to, abatements, reductions or setoffs due or alleged to be due by reason of any past, present or future claims of the Lessee against the Lessor under this Lease or under the CSA, or against any Builder or the Vendor or otherwise; nor, except as otherwise expressly provided herein, shall this Lease terminate, or the respective obligations of the Lessor or the Lessee be otherwise affected, by reason of any defect in or damage to or loss of possession or loss of use or destruction of all or any of the Units from whatsoever cause, any liens, encumbrances or rights of others with respect to any of the Units, the prohibition of or other restriction against the Lessee's use of all or any of the Units, the interference with such use by any person or entity, the invalidity or unenforceability or lack of due authorization of this Lease, any insolvency of or any bankruptcy, reorganization or similar proceeding against the Lessee, or for any other cause whether similar or dissimilar to the foregoing, any present or future law to the contrary notwithstanding, it being the intention of the parties hereto that the rents and other amounts payable by the Lessee hereunder shall continue to be payable in all events in the manner and at the times herein provided unless the obligation to pay the same shall be terminated pursuant to the express provisions of this Lease. To the extent permitted by applicable law, the Lessee hereby waives any and all rights which it may now have or which at any time hereafter may be conferred upon it, by statute or otherwise, to terminate, cancel, quit or surrender the lease of any of the Units except in accordance with the express terms hereof. Each rental or other payment made by the Lessee hereunder shall be final, and the Lessee shall not seek to recover all or any part of such payment from the Lessor for any reason whatsoever.

§ 2. Delivery and Acceptance of Units. The Lessor hereby appoints the Lessee its agent for inspection and acceptance of the Units pursuant to the CSA. The Lessor will cause each Unit to be delivered to the Lessee at the point or points within the United States of America at which such Unit is delivered to the Lessor under

the CSA. Upon such delivery, the Lessee will cause an employee of the Lessee to inspect the same, and if such Unit is found to be acceptable, to accept delivery of such Unit, and the Lessee shall execute and deliver to the Lessor a certificate of acceptance (the "Certificate of Acceptance"), in accordance with the provisions of Article 3 of the CSA, stating that such Unit has been inspected and accepted on behalf of the Lessee and the Lessor on the date of such Certificate of Acceptance and is marked in accordance with § 5 hereof, whereupon, except as provided in the next sentence hereof, such Unit shall be deemed to have been delivered to and accepted by the Lessee and shall be subject thereafter to all the terms and conditions of this Lease. The delivery, inspection and acceptance hereunder of any unit of Equipment excluded from the CSA pursuant to the first paragraph of Article 4 thereof shall be null and void and ineffective to subject such unit to this Lease. The inspection and acceptance by the Lessee of any Unit shall not in any way release any rights which the Lessee may have against the Builder thereof under any warranty relating to such Unit.

§ 3. Rentals. The Lessee agrees to pay to the Lessor, as rental for each Unit subject to this Lease, 40 consecutive semiannual payments payable on January 1 and July 1 of each year, commencing on January 1, 1982, to and including July 1, 2001. The 40 semiannual rental payments shall be each in an amount equal to the Semi-Annual Lease Factor (as hereinafter defined) of the Purchase Price (as defined in the CSA) of each Unit then subject to this Lease. As used herein the term "Semi-Annual Lease Factor" means (a) with respect to each of the first 20 semiannual rental payments, 5.250338% and (b) with respect to the last 20 semiannual rental payments, 6.417079% of the Purchase Price of each Unit then subject to this Lease. The Lessee acknowledges that the semiannual rentals, Casualty Values and Termination Values have been computed without taking into account the costs and expenses that the Lessor is obligated to pay pursuant to clause (ii) of Paragraph 11 of the Participation Agreement, and any Investment Deficiency paid pursuant to the third paragraph of Paragraph 2 of the Participation Agreement and any payments paid by the Lessor pursuant to the clause (b) of the first paragraph and in clause (a) of the last paragraph of Paragraph 8 of the Participation Agreement and any payments to the Lessor pursuant to the last sentence of the second paragraph of said Paragraph 8. At such time

as the full amount of such costs, expenses and payments are known to the Lessor, the Lessee agrees that semiannual rentals, Casualty Values and Termination Values shall be adjusted as may be necessary in the reasonable opinion of the Lessor so that the semiannual rentals, Casualty Values and Termination Values payable by the Lessee hereunder shall be sufficient to maintain the Lessor's after tax return on, and rate of recovery of, investment and total cash flows (computed on the same assumptions as utilized by the Lessor in originally evaluating this Lease) at the same level that would have been available to the Lessor before taking such costs, expenses and payments into account and so that the Lessor receives such costs, expenses and payments over the remaining original term of this Lease with interest at the rate of 14% per annum.

Notwithstanding anything to the contrary set forth herein, the rentals, the Casualty Values (set forth in Schedule B hereto) and the Termination Values (set forth in Schedule C hereto) shall at all times be sufficient to satisfy the obligations of the Lessor under the CSA.

If any of the rental payment dates referred to above is not a business day the semiannual rental payment otherwise payable on such date shall be payable on the next succeeding business day. The term "business day" as used herein means a calendar day, excluding Saturdays, Sundays and any other day on which banking institutions in New York, New York, San Francisco, California, Chicago, Illinois, or Baltimore, Maryland, are authorized or obligated to remain closed.

The Lessor irrevocably instructs the Lessee to make all the payments provided for in this Lease, including, but not limited to, the payments provided for in this § 3 and in § 7 hereof, at the principal office of the Vendor, for the account of the Lessor in care of the Vendor, with instructions to the Vendor first, to apply such payments to satisfy the obligations of the Lessor under the CSA, and second, so long as no event of default or event which with the lapse of time and/or demand provided for in the CSA would constitute an event of default under the CSA shall have occurred and be continuing, to pay any balance promptly to the Lessor at such place as the Lessor shall specify in writing. The Lessee agrees to make each payment provided for herein as contemplated by this paragraph in immediately available funds to the Vendor by 11:00 a.m., Vendor's time, on the date such payment is

due.

All amounts earned in respect of the Units (including, without limitation, mileage charges) during the term of this Lease shall belong to the Lessee and, if received by the Lessor, shall be promptly turned over to the Lessee so long as no Default exists hereunder.

§ 4. Term of Lease. The term of this Lease as to each Unit shall begin on the date of delivery and acceptance of such Unit hereunder and, subject to the provisions of §§ 7, 10 and 13 hereof, shall terminate on the date on which the final payment of rent in respect thereof is due pursuant to § 3 hereof. The obligations of the Lessee hereunder (including, but not limited to, the obligations under §§ 6, 7, 9 and 14 hereof) shall survive the expiration of the term of this Lease.

Notwithstanding anything to the contrary contained herein, all rights and obligations of the Lessee under this Lease and in and to the Units are subject to the rights of the Vendor under the CSA. If an event of default should occur under the CSA, the Vendor may terminate this Lease or rescind its terms, all as provided therein; provided, however, that so long as (i) no Event of Default exists hereunder, (ii) the Lessee is complying with the provisions of the Consent and (iii) the Vendor is entitled to apply the Payments (as defined in the Lease Assignment) in accordance with the Lease Assignment, this Lease may not be terminated and the Lessee shall be entitled to the rights of possession, use and assignment under § 12 hereof.

§ 5. Identification Marks. The Lessee will cause each Unit to be kept numbered with the road number set forth in Schedule A hereto, or in the case of any Unit not there listed, such road number as shall be set forth in any amendment or supplement hereto extending this Lease to cover such Unit, and will keep and maintain, plainly, distinctly, permanently and conspicuously marked on each side of each Unit, in letters not less than one-half inch in height, the words "Ownership subject to a Security Agreement Filed with the Interstate Commerce Commission" or other appropriate words designated by the Vendor, with appropriate changes thereof and additions thereto as from time to time may be required by law in order to protect the Lessor's and Vendor's title to and interest in such Unit and the rights of the Lessor under this Lease and of the

rights of the Vendor under the CSA. The Lessee will not place any such Unit in operation or exercise any control or dominion over the same until such words shall have been so marked and will replace promptly any such markings which may be removed, obliterated, defaced or destroyed. The Lessee will not change the road number of any Unit unless and until (i) a statement of new number or numbers to be substituted therefor shall have been filed with the Vendor and the Lessor and duly filed, recorded and deposited by the Lessee in all public offices where this Lease and the CSA shall have been filed, recorded and deposited and (ii) the Lessee shall have furnished the Vendor and the Lessor an opinion of counsel to such effect. The Units may be lettered with the names or initials or other insignia customarily used by the Lessee or its affiliates or any permitted sublessee; but the Lessee will not allow the name of any other person, association or corporation to be placed on any Unit as a designation that might be interpreted as a claim of ownership.

§ 6. Taxes. All payments to be made by the Lessee hereunder will be free of expense to the Lessor for collection or other charges and will be free of expense to the Lessor with respect to the amount of any local, state, Federal or foreign taxes (other than any state franchise taxes and United States Federal net income tax payable by the Lessor in consequence of the receipt of payments provided for herein and other than the aggregate of all state or local taxes measured by net income based on such receipts, except any such tax which is in substitution for or relieves the Lessee from the payment of taxes which it would otherwise be obligated to pay or reimburse as herein provided) or license fees, assessments, charges, fines or penalties (all such expenses, taxes, license fees, assessments, charges, fines and penalties being hereinafter called "Impositions") hereafter levied or imposed upon or in connection with or measured by this Lease or any sale, rental, use, payment, shipment, delivery or transfer of title under the terms hereof or the CSA, all of which Impositions the Lessee assumes and agrees to pay before they become delinquent in addition to the payments to be made by it provided for herein. The Lessee will also pay before they become delinquent all Impositions which may be imposed upon any Unit or for the use or operation thereof (except as provided above) or upon the earnings arising therefrom (except as provided above) or upon the Lessor solely by reason of its ownership thereof and will keep

at all times all and every part of such Unit free and clear of all Impositions which might in any way affect the title of the Lessor or result in a lien upon any such Unit; provided, however, that the Lessee shall not be under any obligation to pay any Impositions of any kind so long as it is contesting in good faith and by appropriate legal or administrative proceedings such Impositions and the nonpayment thereof does not, in the reasonable opinion of the Lessor, adversely affect the title, property or rights of the Lessor hereunder or the Lessor or the Vendor under the CSA. The Lessee agrees to give the Lessor notice of such contest within 30 days after institution thereof, and the Lessor agrees to provide such information as may be reasonably requested by the Lessee in furtherance of such contest. If any Impositions shall have been charged or levied against the Lessor directly and paid by the Lessor, the Lessee shall reimburse the Lessor on presentation of an invoice therefor; provided, however, that the Lessor shall have given the Lessee written notice of such Imposition prior to such payment.

In the event that the Lessor shall become obligated to make any payment pursuant to Article 6 of the CSA to any Builder or the Vendor or otherwise pursuant to any correlative provision of the CSA, the Lessee shall pay such additional amounts (which shall also be deemed Impositions hereunder) to the Lessor as will enable the Lessor to fulfill completely its obligations pursuant to said provision.

In the event any reports with regard to Impositions are required to be made, the Lessee will, where permitted so to do under applicable rules or regulations, make and timely file such reports in such manner as to show the interest of the Lessor and the Vendor as shall be reasonably satisfactory to the Lessor and the Vendor or, where not so permitted, will notify the Lessor and the Vendor of such requirement and will prepare and deliver such reports to the Lessor and the Vendor within a reasonable time prior to the time such reports are to be filed in such manner as shall be satisfactory to the Lessor and the Vendor.

In the event that, during the continuance of this Lease, the Lessee becomes liable for the payment or reimbursement of any Imposition, pursuant to this § 6, such liability shall continue, notwithstanding the expiration of

this Lease, until all such Impositions are paid or reimbursed by the Lessee.

To the extent the Lessee may be prohibited by law from performing in its own name the duties required by this § 6, the Lessor hereby authorizes the Lessee to act in the Lessor's own name and on the Lessor's behalf to perform such duties (but only with counsel reasonably satisfactory to the Lessor); provided, however, that the Lessee shall indemnify and hold the Lessor harmless from and against any and all claims, costs, expenses, damages, losses and liabilities incurred in connection therewith as a result of, or incident to, any action by the Lessee pursuant to this authorization.

The Lessee shall, whenever reasonably requested by the Lessor, submit to the Lessor copies of returns, statements, reports, billings and remittances, or furnish other evidence satisfactory to the Lessor of the Lessee's performance of its duties under this § 6. The Lessee shall also furnish promptly upon request such data as the Lessor may reasonably require to permit the Lessor's compliance with the requirements of taxing jurisdictions.

§ 7. Maintenance, Casualty Occurrences, Insurance and Termination. (a) The Lessee agrees that, at its own cost and expense, it will maintain and keep each Unit which is subject to this Lease in good operating order, repair and condition.

(b) In the event that any Unit shall be or become worn out, lost, stolen, destroyed, or irreparably damaged, from any cause whatsoever, returned to the Builder pursuant to the patent indemnity provisions of the CSA, or taken or requisitioned by condemnation or otherwise resulting in loss of possession by the Lessee for a period of 90 consecutive days, except requisition for use by the United States Government (any such occurrence being hereinafter called a "Casualty Occurrence"), prior to the return of such Unit in the manner set forth in § 14 hereof, the Lessee shall promptly and fully notify the Lessor and the Vendor with respect thereto. On the rental payment date next succeeding such notice (the "Casualty Date"), the Lessee shall pay to the Lessor an amount equal to the rental payment or payments in respect of such Unit due and payable on such date plus a sum equal to the Casualty Value (as defined in the next paragraph) of such Unit as of the

date of such payment in accordance with the schedule referred to below. Upon the making of such payment by the Lessee in respect of any Unit, the rental for such Unit shall cease to accrue, the term of this Lease as to such Unit shall terminate and (except in the case of the loss, theft, complete destruction or return to the Builder of such Unit) the Lessor shall be entitled to recover possession of such Unit. The Lessor hereby appoints the Lessee its agent to dispose of any Unit suffering a Casualty Occurrence or any component thereof, at the best price obtainable under the circumstances on an "as is, where is" basis. Provided that the Lessee has previously paid the Casualty Value to the Lessor, the Lessee shall be entitled to the proceeds of such sale (after deduction of all selling costs) to the extent they do not exceed the Casualty Value of such Unit, and shall pay any excess to the Lessor. The Lessee shall be entitled to credit against the Casualty Value payable in respect of any Unit returned to the Builder pursuant to the patent indemnity provisions of the CSA in an amount equal to any payment made by the Builder to the Lessor in respect thereof under the CSA.

The Casualty Value of each Unit as of the payment date on which payment is to be made as aforesaid shall be that percentage of the Purchase Price of such Unit as is set forth in Schedule B hereto opposite such date.

Whenever any Unit shall suffer a Casualty Occurrence after termination of this Lease and before such Unit shall have been returned in the manner provided in § 14 hereof, the Lessee shall promptly and fully notify the Lessor with respect thereto and pay to the Lessor an amount equal to the Casualty Value of such Unit, which shall be an amount equal to 55.72901% of the Purchase Price of such Unit, or, in the case of Units suffering a Casualty Occurrence after termination of a renewal term (as provided in § 13 hereof), such other percentage of the Purchase Price as shall be agreed.

(c) In the event of the requisition for use by the United States Government (the "Government") of any Unit during the term of this Lease or any renewal thereof all the Lessee's obligations under this Lease with respect to such Unit shall continue to the same extent as if such requisition had not occurred, except that if such Unit is returned by the Government at any time after the end of the term of this Lease or any renewal thereof, the Lessee shall be obligated to return such Unit to the Lessor pursuant to § 11 or 14 hereof, as the case may be, promptly upon such return by the Government rather than at the end of the term

of this Lease or any renewal thereof, but the Lessee shall in all other respects comply with the provisions of said § 11 or 14, as the case may be, with respect to such Unit. All payments received by the Lessor or the Lessee from the Government for the use of such Unit during the term of this Lease or any renewal thereof shall be paid over to, or retained by, the Lessee provided no Event of Default (or other event which after notice or lapse of time or both would become an Event of Default) shall have occurred and be continuing; and all payments received by the Lessor or the Lessee from the Government for the use of such Unit after the term of this Lease or any renewal thereof, shall be paid over to, or retained by, the Lessor.

(d) Except as hereinabove in this § 7 provided, the Lessee shall not be released from its obligations hereunder in the event of, and shall bear the risk of, any Casualty Occurrence to any Unit from and after delivery and acceptance thereof by the Lessee hereunder.

From the time any Unit is accepted by the Lessee to the end of the term of this Lease, Lessee shall:

(i) at its option, either provide insurance coverage for, or self assume, in whole or in part, the risks of actual or constructive loss or damage to one o more of the Units up to the Casualty Value thereof, and

(ii) provide adequate public liability insurance (in limits of at least $50,000,000) for personal injuries, death, or property damage resulting from the ownership, maintenance, use or operation of the Units.

Each of the insurance policies providing said coverage shall:

(i) name the Lessor and the Vendor as additional insureds as their respective interests may appear;

(ii) as between Lessee and Lessor and Vendor all such insurance shall be primary insurance and not excess over any other coverage which Lessor or Vendor, or both, may have; provided, however, that nothing herein shall be deemed to require Lessee's insurance carriers to provide coverage for, or otherwise indem-

nify Lessor or Vendor for, any losses caused respectively by Lessor's or Vendor's own actions or negligence; and

(iii) provide that the policy may not be canceled or materially altered without 30 days' prior written notice to the Lessor and the Vendor.

The Lessee shall provide the Lessor and the Vendor with a certificate or certificates evidencing the aforesaid coverage prior to the first Closing Date (as defined in the CSA).

In the event of failure on the part of the Lessee to provide and furnish any of the aforesaid insurance, the Lessor or the Vendor, upon notice to the Lessee, may, but shall not be obligated to, procure such insurance and the Lessee shall, upon demand, reimburse the Lessor and the Vendor for all expenditures made by the Lessor or the Vendor for such insurance, together with interest thereon computed at the maximum rate of interest permitted by law, but no more than 15% per annum, from the date of the Vendor's or the Assignee's payment until reimbursed by the Lessee.

(e) If the Lessor shall receive any insurance proceeds from insurance maintained by the Lessee pursuant hereto or condemnation payments in respect of a Unit suffering a Casualty Occurrence, the Lessor shall, subject to the Lessee having made payment of the Casualty Value in respect of such Unit, pay such proceeds or condemnation payments to the Lessee up to an amount equal to the Casualty Value paid by the Lessee, and any balance of such proceeds or condemnation payments shall remain the property of the Lessor. All insurance proceeds received by the Lessor in respect of any Unit not suffering a Casualty Occurrence shall be paid to the Lessee upon Lessee's notification to the Lessor that any damage to such Unit in respect of which such proceeds were paid has been fully repaired.

(f) In the event that the Lessee shall, in its reasonable judgment, determine that any Group (as hereinafter defined) of Units has become surplus to its need or obsolete in the Lessee's business, the Lessee shall have the right, at its option and on at least 90 days' prior written notice to the Lessor, to terminate (herein called

either a "Surplus Termination" or an "Obsolescence Termination" as the case may be) this Lease as to such Group as of any succeeding rent payment date specified in such notice (the "Termination Date"); provided, however, that (i) the Termination Date shall not be earlier than January 1, 1992, (ii) no Event of Default or other event which after the lapse of time or notice or both would become an Event of Default shall have occurred and be continuing and (iii) on the Termination Date each Unit in such Group shall be in the same condition as if being redelivered pursuant to § 14 hereof. For this purpose, the term "Group of Units" shall mean all Units with the same Builder's Specifications (as set forth in Schedule A hereto) subject to this Lease at the Termination Date.

During the period from the 30th day after the giving of such notice until the fifth business day preceding the Termination Date, the Lessee shall use its best efforts to obtain bids for the purchase of all Units in such Group, and the Lessee shall at least five business days prior to such Termination Date certify to the Lessor the amount of each such bid and the name and address of the party (which shall not be a corporation or individual affiliated with the Lessee or any party from whom the Lessee or any such affiliate intends thereafter to lease such Unit) submitting such bid. On the Termination Date the Lessor shall sell all Units in such Group for cash to the bidder who shall have submitted the highest bid prior to the Termination Date. The total sale price realized at each such sale shall be applied to the prepayment of the CSA Indebtedness in accordance with Article 7 of the CSA and any balance shall be retained by the Lessor.

On such Termination Date, the Lessee shall pay to the Lessor (i) the excess, if any, of the Termination Value for each such Unit computed as of such date over the sale price of such Unit after the deduction of all expenses incurred by the Lessor in connection with such sale, (ii) the rental payment due on such Termination Date and (iii) in the case of a Surplus Termination, an amount equal to the prepayment premium, if any, payable pursuant to Article 7 of the CSA on such date in respect of the CSA Indebtedness to be prepaid by the Lessor on such date. The Termination Value of each such Unit as of the payment date on which payment is to be made shall be that percentage of the Purchase Price of such Unit as is set forth in Schedule C hereto opposite such date. In no event shall the aggre-

gate amount retained by the Lessor and received by the Lessor as aforesaid be less than the Termination Value (as defined in the CSA) as of such date.

If no sale shall occur on the date scheduled therefor as provided above, this Lease shall continue in full force and effect without change unless and until the Lessee pays to the Lessor the Termination Value of each Unit subject to the Termination and returns each such Unit to the Lessor pursuant to § 14 hereof; provided, however, that this Lease shall not terminate as to any such Unit unless the CSA Indebtedness in respect of such Unit is prepaid on the Termination Date pursuant to Article 7 of the CSA.

In the event of any such sale and the receipt by the Lessor of the amounts above described, the obligation of the Lessee to pay rent pursuant to § 3 hereof in respect of such Unit on each rental payment date shall continue to and including the Termination Date but shall then terminate. The Lessor shall be under no duty to solicit bids, to inquire into the efforts of the Lessee to obtain bids or otherwise to take any action or incur any cost or expense in connection with any sale other than to transfer or to cause to be transferred all the Lessor's right, title and interest in and to such Unit to the purchaser named in the highest bid certified by the Lessee to the Lessor as above provided. Any such sale shall be free and clear of all the Lessee's rights to such Unit, but otherwise shall be made without warranties other than against the Lessor's acts.

If the Lessee shall exercise its option to terminate as to any Unit, the Lessor may, notwithstanding such election by the Lessee, by written notice to the Lessee given 90 days after the termination notice is given to the Lessor, elect to retain such Unit, in which case the Lessee shall not be obligated to pay the Termination Value to the Lessor; provided, however, that this Lease shall not terminate as to such Unit unless the CSA Indebtedness in respect of such Unit is prepaid on the Termination Date pursuant to Article 7 of the CSA. In the event the Lessor shall so elect to retain such Unit, the Lessee shall deliver such Unit to the Lessor in accordance with the provisions of § 14 hereof.

§ 8. Reports. On or before April 30 in each

year, commencing with the calendar year 1982, the Lessee will furnish to the Lessor and the Vendor an accurate statement (a) setting forth as at the preceding December 31 the amount, description and numbers of all Units then leased hereunder and covered by the CSA, the amount, description and numbers of all Units that have suffered a Casualty Occurrence during the preceding calendar year or are then undergoing repairs (other than running repairs) or, then withdrawn from use pending such repairs (other than running repairs) and such other information regarding the condition and state of repair of the Units as the Lessor or the Vendor may reasonably request and (b) stating that, in the case of all Units repainted or repaired during the period covered by such statement, the numbers and markings required by § 5 hereof and by the CSA have been preserved or replaced. In furnishing the portion of any such statement referred to in (a) above, the Lessee may, to the extent reasonably appropriate, incorporate information by reference to another document; provided, however, that a copy of any incorporated document (or relevant portions thereof) shall also be furnished to the Lessor and the Vendor with any such statement. The Lessor, at its sole cost and expense, and subject to Lessee's applicable secrecy, safety and security regulations for the property involved, shall have the right by its agents, to inspect the Units and the Lessee's records with respect to matters reasonably related hereto at such reasonable times as the Lessor may request during the continuance of this Lease.

§ 9. Disclaimer of Warranties; Compliance with Laws and Rules; Indemnification. THE LESSOR MAKES NO WARRANTY OR REPRESENTATION, EITHER EXPRESS OR IMPLIED, AS TO THE DESIGN OR CONDITION OF, OR AS TO THE QUALITY OF THE MATERIAL, EQUIPMENT OR WORKMANSHIP IN, THE UNITS DELIVERED TO THE LESSEE HEREUNDER, AND THE LESSOR MAKES NO WARRANTY OF MERCHANTABILITY OR FITNESS OF THE UNITS FOR ANY PARTICULAR PURPOSE OR AS TO TITLE TO THE UNITS OR ANY COMPONENT THEREOF, OR ANY OTHER REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, WITH RESPECT TO ANY UNIT, EITHER UPON DELIVERY THEREOF TO THE LESSEE OR OTHERWISE, it being agreed that all such risks, as between the Lessor and the Lessee, are to be borne by the Lessee; but the Lessor hereby irrevocably appoints and constitutes the Lessee its agent and attorney-in-fact during the term of this Lease to assert and enforce from time to time, in the name of and for the account of the Lessor and/or the Lessee, as their interests may appear, at the Lessee's sole cost and expense, whatever claims and rights the Lessor may have against any Builder under the provisions of Items 3 and 4

of Annex A of the CSA and any proceeds received by the Lessor in respect thereof shall be immediately paid over to the Lessee; provided, however, that if at any time an Event of Default shall have occurred and be continuing, the Lessor may upon written notice to the Lessee assert and enforce, at the Lessee's sole cost and expense, such claims and rights and receive the benefits of any such proceeds. The Lessor shall have no responsibility or liability to the Lessee or any other person with respect to any of the following: (i) any liability, loss or damage caused or alleged to be caused directly or indirectly by any Units or by any inadequacy thereof or deficiency or defect therein or by any other circumstances in connection therewith; (ii) the use, operation or performance of any Units or any risks relating thereto; (iii) any interruption of service, loss of business or anticipated profits or consequential damages; or (iv) the delivery, operation, servicing, maintenance, repair, improvement or replacement of any Units. The Lessee's delivery of a Certificate of Acceptance shall be conclusive evidence as between the Lessee and the Lessor that the Units described therein are in all the foregoing respects satisfactory to the Lessee, and the Lessee will not assert any claim of any nature whatsoever against the Lessor based on any of the foregoing matters.

The Lessee shall notify Lessor of, and shall, at the Lessee's sole cost and expense, make or provide all improvements, alterations, modifications, additions, attachments, or other equipment, or changes (hereinafter collectively called "Improvements") to the Units or any of them deemed necessary or desirable by any Federal, state or local governmental body or agency or the interchange rules of the Association of American Railroads (hereinafter called "legally required Improvements"). Any legally required Improvement and any other Improvements which are not readily removable without causing material damage to a Unit (hereinafter called "nonseverable Improvements") shall be and immediately become the property of Lessor and subject to the terms of the Lease. So long as Lessee is not in default hereunder, Lessee may, upon notice to Lessor, at Lessee's sole cost and expense, make other nonseverable Improvements to a Unit, which are not legally required Improvements; provided, however, that (1) the value of the Unit is not reduced thereby, (2) such Improvements will not cause the Unit to become limited use property, or materially alter or reduce its general usefulness, (3) such Improvements will not increase the productivity or capacity of the Unit in excess of 25% and (4) the cumulative deflated cost (as defined in Rev. Proc.

79-48) of any and all such nonseverable Improvements, exclu sive of any legally required Improvements involving compli- ance with health, safety and environmental standards, does not exceed 10% of the Lessor's cost of each Unit. So long Lessee is not in default hereunder, Lessee may, upon notice to Lessor, at Lessee's sole cost and expense, make other readily removable Improvements to a Unit provided that such Improvements do not cause material damage to the Unit or reduce its value or general usefulness. Any such readily removable Improvements shall remain the property of Lessee and be removed by Lessee, at its expense, upon or prior to return of any Unit to the Lessor pursuant to § 11 or § 14 hereof, and if not so removed by Lessee may be removed by Lessor without liability to Lessee therefor. Any and all costs of removal and repair shall be for Lessee's account. Lessor is hereby granted a security interest in and to any such readily removable Improvements to secure all of Lessee obligations hereunder. Nothing herein shall be deemed to preclude Lessor and Lessee from negotiating the lease finan ing hereunder (including Improvement Financing as provided in Paragraph 2 of the Participation Agreement) for any proposed Improvements.

The Lessee agrees to indemnify, protect and hold harmless the Lessor and the Vendor from and against all losses, damages, injuries, liabilities, (including, without limitation, strict liability in tort) claims and demands whatsoever, regardless of the cause thereof, and expenses in connection therewith, including, but not limited to, counsel fees and expenses, patent liabilities, penalties and interest, arising out of or as the result of the entering into or the performance of, or the occurrence of a default, an event of default or an Event of Default under, the CSA, the Participation Agreement or this Lease, the ownership of any Unit, the ordering, acquisition, use, operation, condition, purchase, delivery, rejection, storage or return of any Unit or any accident in connection with the operation, use, condition, possession, storage or return of any Unit resulting in damage to property or injury or death to any person, except as otherwise provided in § 14 of this Lease or the transfer of title to the Equipment by the Vendor pursuant to any provision of the CSA. The indemnities arising under this paragraph shall continue in full force and effect notwithstanding the full payment of all other obligations under this Lease or the expiration or termination of the term of this Lease. To the extent the Lessee is required to provide protection or indemnification hereunder, the Lessee may select counsel (which will be reasonably acceptable to the Lessor) and direct counsel's actions in respect thereof.

The indemnities contained in this § 9 shall not extend to any loss, damage, injury, liability, claim, demand, cost, charge or expense incurred by any indemnified party (a) caused by the wilful misconduct or gross negligence of such indemnified party, (b) resulting from acts or events with respect to any Unit which commence after such Unit has been returned to the Lessor in accordance with § 14 hereof, (c) caused by the violation by such indemnified party of any banking, investment, insurance or securities law, rule or regulation applicable to it (unless such violation shall be the result of any written misrepresentation, violation or act of the Lessee), (d) arising from the breach of an express duty, obligation, representation or warranty of such indemnified party made herein or in any of the documents related to the transactions contemplated hereby, or (e) which is related to the lien, charge, security interest or other encumbrance which the Lessee is not required by § 12 hereof to discharge or in any of the other documents related to the transactions contemplated hereby to be borne by such indemnified party.

Upon request by the Lessor, the Lessee will prepare and deliver to the Lessor within a reasonable time prior to the required date of filing (or, to the extent permissible, file on behalf of the Lessor) any and all reports (other than tax returns except as required by the provisions of § 6 hereof) to be filed by the Lessor with any Federal, state or other regulatory authority by reason of the ownership by the Lessor or the Vendor of the Units or the leasing thereof to the Lessee.

§ 10. Default. If, during the continuance of this Lease, one or more of the following events (each such event being herein sometimes called an "Event of Default") shall occur:

A. default shall be made in payment of any amount provided for in § 3, 7 or 13 hereof, and such default shall continue for 10 days;

B. the Lessee shall make or permit any unauthorized assignment or transfer of this Lease, or any interest herein, or of the right to possession of the Units, or any thereof;

C. default shall be made in the observance or performance of any other of the covenants, conditions and agreements on the part of the Lessee contained

herein or in the Participation Agreement or in the Indemnity Agreement, and such default shall continue for 25 days after written notice from the Lessor or the Vendor to the Lessee specifying the default and demanding that the same be remedied;

D. any representation or warranty made by the Lessee herein or in the Participation Agreement or in the Indemnity Agreement or in any certificate or statement furnished to the Lessor pursuant to or in connection with any such agreements proves untrue in any material respect as of the date of issuance or making thereof;

E. any proceedings shall be commenced by or against the Lessee for any relief which includes, or might result in, any modification of the obligations of the Lessee under this Lease, the Participation Agreement or the Consent, under any bankruptcy or insolvency laws, or laws relating to the relief of debtors, readjustments of indebtedness, reorganizations, arrangements, compositions or extensions (other than a law which does not permit any readjustments of the obligations of the Lessee hereunder) and, unless such proceedings shall have been dismissed, nullified, stayed or otherwise rendered ineffective (but then only so long as such stay shall continue in force or such ineffectiveness shall continue), all the obligations of the Lessee under this Lease, the Participation Agreement and the Consent shall not have been and shall not continue to have been duly assumed in writing, pursuant to a court order or decree, by a trustee or trustees or receiver or receivers appointed in such proceedings in such manner that such obligations shall have the same status as obligations incurred by such a trustee or trustees or receiver or receivers, within 60 days after such proceedings shall have been commenced; or

F. an event of default set forth in Article 15 of the CSA shall have occurred as a result of any default by the Lessee in performing any of its obligations hereunder or under the Consent;

then, in any such case, the Lessor, at its option, may:

(a) proceed by appropriate court action or

actions either at law or in equity, to enforce performance by the Lessee of the applicable covenants of this Lease or to recover damages for the breach thereof; or

(b) by notice in writing to the Lessee (specifically identifying the Event of Default) terminate this Lease, whereupon all rights of the Lessee to the use of the Units shall absolutely cease and terminate as though this Lease had never been made, but the Lessee shall remain liable as herein provided; and thereupon the Lessor may by its agents enter upon the premises of the Lessee or other premises where any of the Units may be and take possession of all or any of such Units and thenceforth hold, possess, sell, operate, lease to others and enjoy the same free from any right of the Lessee, or its successors or assigns, to use the Units for any purposes whatever and without any duty to account to the Lessee for such action or inaction but applying any proceeds (net of expenses as determined by the Lessor) arising therefrom against the liabilities of the Lessee herein; but the Lessor shall, nevertheless, have a right to recover from the Lessee any and all amounts which under the terms of this Lease may be then due or which may have accrued to the date of such termination (computing the rental for any number of days less than a full rental period by multiplying the rental for such full rental period by a fraction of which the numerator is such number of days and the denominator is the total number of days in such full rental period) and also to recover forthwith from the Lessee as damages for loss of a bargain and not as a penalty, whichever of the following amounts the Lessor, in its sole discretion, shall specify: (x) a sum, with respect to each Unit, equal to the excess of the present value, at the time of such termination, of the entire unpaid balance of all rental for such Unit which would otherwise have accrued hereunder from the date of such termination to the end of the term of this Lease as to such Unit over the then present value of the rental which the Lessor reasonably estimates to be obtainable for the Unit during such period, such present value to be computed in each case on the basis of a 5% per annum discount, compounded semiannually from the respective dates upon which rentals would have been payable

hereunder had this Lease not been terminated or (y) an amount equal to the excess, if any, of the Casualty Value as of the rental payment date on or next preceding the date of termination over the amount the Lessor reasonably estimates to be the sales value of such Unit at such time; provided, however, that in the event the Lessor shall have sold any Unit, the Lessor, in lieu of collecting any amounts payable to the Lessor by the Lessee pursuant to the preceding clauses (x) and (y) of this sub-paragraph (b) with respect to such Unit, may, if it shall so elect, demand that the Lessee pay the Lessor and the Lessee shall pay to the Lessor on the date of such sale, as liquidated damages for loss of a bargain and not as a penalty, an amount equal to the excess, if any, of the Casualty Value for such Unit, as of the rental payment date on or next preceding the date of termination over the net proceeds of such sale.

In addition, the Lessee shall be liable, except as otherwise provided above, for any and all unpaid amounts due hereunder before, during or after the exercise of any of the foregoing remedies and for all reasonable attorneys' fees and other costs and expenses incurred by reason of the occurrence of any Event of Default or the exercise of any of the foregoing remedies and for all reasonable attorneys' fees and other costs and expenses incurred by reason of the occurrence of any Event of Default or the exercise of the Lessor's remedies with respect thereto, including all costs and expenses incurred in connection with the return of any Unit.

The remedies in this Lease provided in favor of the Lessor shall not be deemed exclusive, but shall be cumulative and may be exercised concurrently or consecutively, and shall be in addition to all other remedies in its favor existing at law or in equity. The Lessee hereby waives any mandatory requirements of law, now or hereafter in effect, which might limit or modify the remedies herein provided, to the extent that such waiver is not, at the time in question, prohibited by law. The Lessee hereby waives any and all existing or future claims to any offset against the rental payments due hereunder, and agrees to make such payments regardless of any offset or claim which may be asserted by the Lessee or on its behalf.

The failure of the Lessor to exercise the rights granted it hereunder upon the occurrence of any of the contingencies set forth herein shall not constitute a waiver of any such right upon the continuation or recurrence of any such contingencies or similar contingencies.

The Lessee agrees to furnish the Vendee and the Vendor, promptly upon any responsible officer becoming aware of any condition which constituted or constitutes an Event of Default under this Lease or which, after notice or lapse of time, or both, would constitute such an Event of Default, written notice specifying such condition and the nature and status thereof. For the purposes of this paragraph, a "responsible officer" shall mean, with respect to the subject matter of any covenant, agreement or obligation of the Lessee in this Lease contained, any corporate officer of the Lessee who, in the normal performance of his operational responsibilities, would have knowledge of such matter and the requirements of this Lease with respect thereto.

§ 11. Return of Units upon Default. If this Lease shall terminate pursuant to § 10 hereof, the Lessee shall forthwith deliver possession of the Units to the Lessor. Each Unit so delivered shall be in the same operating order, repair and condition as when originally delivered to the Lessee, reasonable wear and tear excepted, and meet the standards then in effect of the Interchange Rules of the Association of American Railroads and/or the applicable rules of any governmental agency or other organization with jurisdiction. For the purpose of delivering possession of any Unit or Units to the Lessor as above required, the Lessee shall at its own cost, expense and risk:

(a) forthwith and in the usual manner (including, but not by way of limitation, giving prompt telegraphic and written notice to the Association of American Railroads and all railroads to which any Unit or Units have been interchanged to return the Unit or Units so interchanged) place such Units upon such storage tracks of the Lessee or any of its affiliates or, at the expense of the Lessee, on any other storage tracks, as the Lessor reasonably may designate;

(b) permit the Lessor to store such Units on

such tracks at the risk of the Lessee without charge for insurance, rent or storage until such Units have been sold, leased or otherwise disposed of by the Lessor; and

(c) transport the same to any place on any lines of railroad or to any connecting carrier for shipment, all as directed by the Lessor.

The assembling, delivery, storage, insurance and transporting of the Units as hereinbefore provided shall be at the expense and risk of the Lessee and are of the essence of this Lease, and upon application to any court of equity having jurisdiction in the premises the Lessor shall be entitled to a decree against the Lessee requiring specific performance of the covenants of the Lessee so to assemble, deliver, store and transport the Units. During any storage period, the Lessee will, at its own cost and expense, insure, maintain and keep the Equipment in good order and repair and will permit the Lessor or any person designated by it, including the authorized representative or representatives of any prospective purchaser or lessee of any such Unit, to inspect the same. All amounts earned in respect of the Units after the date of termination of this Lease shall belong to the Lessor and, if received by the Lessee, shall be promptly turned over to the Lessor. In the event any Unit is not assembled, delivered and stored, as hereinabove provided, within 60 days after such termination, the Lessee shall, in addition, pay to the Lessor for each day thereafter an amount equal to the amount, if any, by which .035651% of the Purchase Price of such Unit for each such day exceeds the actual earnings received by the Lessor on such Unit for each such day.

Without in any way limiting the obligation of the Lessee under the foregoing provisions of this § 11, the Lessee hereby irrevocably appoints the Lessor as the agent and attorney of the Lessee, with full power and authority, at any time while the Lessee is obligated to deliver possession of any Unit to the Lessor, to demand and take possession of such Unit in the name and on behalf of the Lessee from whomsoever shall be in possession of such Unit at the time.

§ 12. Assignment; Possession and Use. This Lease shall be assignable in whole or in part by the

Lessor to the Vendor or, with the consent of the Investors (which consent shall not unreasonably be withheld), to other institutional investors, but the Lessee shall be under no obligation to any assignee of the Lessor except upon written notice of such assignment from the Lessor. All the rights of the Lessor hereunder (including, but not limited to, the rights under §§ 6, 7, 9 and 10 and the rights to receive the rentals payable under this Lease) shall inure to the benefit of the Lessor's assigns including the Vendor, except as may be limited in any assignment thereof.

So long as the Lessee shall not be in default under this Lease the Lessee shall be entitled to the possession and use of the Units in accordance with the terms of this Lease but, without the prior written consent of the Lessor and the Vendor, neither of which shall be unreasonably withheld, the Lessee shall not assign or transfer its leasehold interest under this Lease in the Units or any of them except, and then only so long as the Lessee shall not then be in default under this Lease (and subject to this Lease and to the rights of the Lessor hereunder, and without releasing the Lessee from its obligations hereunder), to an Affiliate, or under a written sublease to a railroad classified by the Interstate Commerce Commission as a Class I railroad or to a responsible company, as determined by the Lessee, subject in each case to the written consent of the Lessor and the Vendor, neither of which shall be unreasonably withheld; and the Lessee shall not, without such written consent, except as provided in this § 12 part with the possession of, or suffer or allow to pass out of its possession or control, any of the Units. For the purpose of this § 12, "Affiliate" shall mean any corporation which, directly or indirectly, controls or is controlled by, or is under common control with, the Lessee. For the purposes of this definition, "control (including controlled by and under common control with)", as used with respect to any corporation, shall mean the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such corporation, whether through the ownership of voting securities or by contract or otherwise. Every such sublease shall expressly subject the rights of the sublessee under such sublease to the rights of the Lessor in respect of the Units covered by such sublease

in the event of the happening of an Event of Default. The Lessee, at its own expense, will promptly pay or discharge any and all sums claimed by any party which, if unpaid, might become a lien, charge, security interest or other encumbrance (other than an encumbrance created by the Lessor or the Vendor or resulting from claims against the Lessor or the Vendor not related to the ownership of the Units) upon or with respect to any Unit or the interest of the Lessor, the Vendor or the Lessee therein, and will promptly discharge any such lien, claim, security interest or other encumbrance which arises. The Lessee shall not, without the prior written consent of the Lessor, part with the possession or control of, or suffer or allow to pass out of its possession or control, any of the Units, except to the extent permitted by the provisions of the immediately succeeding paragraph.

So long as the Lessee shall not be in default under this Lease, the Lessee shall be entitled to the possession of the Units and to the use of the Units by it or any Affiliate upon lines of railroad owned or operated by it or any such Affiliate or upon lines over which the Lessee or any such Affiliate has or obtains trackage or other operating rights or over which railroad equipment of the Lessee or any such Affiliate is regularly operated pursuant to contract, and also to permit the use of the Units upon connecting and other carriers in the usual interchange of traffic or pursuant to run-through agreements, but only upon and subject to all the terms and conditions of this Lease; provided, however, that the Lessee shall not assign or permit the assignment of any Unit to service involving the regular operation and maintenance thereof outside the United States of America. The Lessee may receive and retain compensation for such use from other railroads so using any of the Units.

Nothing in this § 12 shall be deemed to restrict the right of the Lessee to assign or transfer its leasehold interest under this Lease in the Units or possession of the Units to any corporation incorporated under the laws of any state of the United States of America or the District of Columbia (which shall have duly assumed the obligations of the Lessee hereunder and under the Participation Agreement and the Consent (as defined in the CSA)) into or with which the Lessee shall have become merged or consolidated or which shall have acquired the property of the Lessee as an entirety or substantially as an entirety,

provided that such assignee or transferee will not, upon the effectiveness of such merger, consolidation or acquisition, be in default under any provision of this Lease.

§ 13. Renewal Option and Right of First Refusal. Provided that this Lease has not been earlier terminated and the Lessee is not in default hereunder, the Lessee may by written notice delivered to the Lessor not less than 60 days prior to the end of the original term elect to extend the term of this Lease in respect of all (but not fewer than all) the Units in any Group of Units (as defined in § 7 hereof) then covered by this Lease, for one additional five-year period commencing on the scheduled expiration of the original term at a semi-annual rental of 2.916852% of the Purchase Price of each Unit then subject to this Lease, payable in semiannual payments on each semiannual anniversary of the original term.

Provided that this Lease has not been earlier terminated and the Lessee is not in default hereunder, in the event the Lessor elects to sell any Units to third parties within a period of one year after the expiration of the original or any extended term of this Lease, the Lessee shall be given 60 days' prior written notice of such intention prior to the expiration of such period. In the event that during such one-year period the Lessor shall receive a bona fide offer from another party unrelated to the Lessee to purchase the Units and the Lessor elects to sell the Units pursuant to such offer, the Lessor shall give prompt written notice to the Lessee of such offer. Such notice shall include the price and the terms and conditions of payment offered by the other party to the Lessor. The Lessee shall have the sole right and option to purchase the Units for cash at the price at which the Units are proposed to be sold or under the other terms and conditions of payment offered by the other party. The Lessee may exercise such purchase right by delivery to the Lessor of a written notice within 15 days of receipt of notice of the proposed sale from the Lessor specifying a date of purchase, which date shall not be later than 20 days after the date of delivery of such notice by the Lessee to the Lessor.

§ 14. Return of Units upon Expiration of Term. As soon as practicable but not longer than 60 days after

the expiration of the original or extended term of this Lease, the Lessee will, at its own cost and expense, at the request of the Lessor, deliver possession of each Unit to the Lessor upon such storage tracks of the Lessee (at not more than three locations) as the Lessee may designate and permit the Lessor to store such Unit on such tracks for a period not exceeding 90 days and transport the same, at any time within such 90-day period, to the nearest railroad interconnection, all as directed by the Lessor, the movement and storage of such Units to be at the expense and risk of the Lessee. During any such storage period the Lessee will, at its own cost and expense, insure, maintain and keep each Unit in good order and repair and will permit the Lessor or any person designated by it, including the authorized representative or representatives of any prospective purchaser, lessee or user of such Unit, to inspect the same; provided, however, that the Lessee shall not be liable, except in the case of negligence of the Lessee or of its employees or agents, for any injury to, or the death of, any person exercising, either on behalf of the Lessor or any prospective purchaser, lessee or user, the rights of inspection granted under this sentence. Each Unit returned to the Lessor pursuant to this § 14 shall (i) be in the same operating order, repair and condition as when originally delivered to the Lessee, reasonable wear and tear excepted, and (ii) meet the standards in effect upon the expiration of this Lease under the Interchange Rules of the Association of American Railroads and/or the applicable rules of any governmental agency or other organization with jurisdiction. The assembling, delivery, storage and transporting of the Units as hereinbefore provided are of the essence of this Lease, and upon application to any court of equity having jurisdiction in the premises, the Lessor shall be entitled to a decree against the Lessee requiring specific performance of the covenants of the Lessee so to assemble, deliver, store and transport the Units. All amounts earned in respect of the Units after the date of termination of this Lease shall belong to the Lessor and, if received by the Lessee, shall be promptly turned over to the Lessor.

§ 15. Recording. The Lessee, at its own expense, will cause this Lease, the CSA and any assignment hereof or thereof to be filed and recorded with the Interstate Commerce Commission pursuant to 49 U.S.C. § 11303. The Lessee will undertake the filing, registering, deposit, and recording required of the Lessor under the CSA and will from time to time do and perform any other act and will execute, acknowl-

edge, deliver, file, register, record (and will refile, reregister, deposit and redeposit or rerecord whenever required) any and all further instruments required by law or reasonably requested by the Lessor or the Vendor for the purpose of proper protection, to their satisfaction, of the Vendor's and the Lessor's respective interests in the Units, or for the purpose of carrying out the intention of this Lease, the CSA and the assignment thereof to the Vendor; and the Lessee will promptly furnish to the Vendor and the Lessor evidence of all such filing, registering, depositing or recording, and an opinion or opinions of counsel for the Lessee with respect thereto satisfactory to the Vendor and the Lessor. This Lease and the CSA shall be filed and recorded with the Interstate Commerce Commission prior to the delivery and acceptance hereunder of any Unit.

§ 16. Interest on Overdue Rentals. Anything to the contrary herein contained notwithstanding, any nonpayment of rentals and other obligations due hereunder shall result in the obligation on the part of the Lessee promptly to pay, to the extent legally enforceable, an amount equal to the greater of (a) 15% per annum or (b) the rate per annum equal to the fluctuating base rate charged by The Security Pacific Bank for 90-day loans to substantial and responsible commercial borrowers as such base rate shall change from time to time, each change in such rate to become effective on the effective date of each change in such base rate as announced by such Bank, on the overdue rentals and other obligations for the period of time during which they are overdue or such lesser amount as may be legally enforceable.

§ 17. Notices. Any notice required or permitted to be given by either party hereto to the other shall be in writing and effective upon delivery, addressed as follows:

(a) if to the Lessor, at One Embarcadero Center, San Francisco, California 94111, Attention of Manager, Operations Department--LEV;

(b) if to the Lessee, at 2020 Dow Center, Midland, Michigan 48640, Attention of Treasurer-Dow Chemical, U.S.A.;

or addressed to either party at such other address as such party shall hereafter furnish to the other party in writing. Copies of each such notice shall be given to the Vendor at Two Hopkins Plaza, Baltimore, Maryland 21203, attention of

Corporate Trust Department.

§ 18. Severability; Effect and Modification of Lease. Any provision of this Lease which is prohibited or unenforceable in any jurisdiction, shall be, as to such jurisdiction, ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

Except for the Participation Agreement and the Indemnity Agreement, this Lease exclusively and completely states the rights and obligations of the Lessor and the Lessee with respect to the leasing of the Units and supersedes all other agreements, oral or written, with respect thereto. No variation or modification of this Lease and no waiver of any of its provisions or conditions shall be valid unless in writing and signed by duly authorized signatories for the Lessor and the Lessee.

§ 19. Execution. This Lease may be executed in several counterparts, such counterparts together constituting but one and the same instrument, but the counterpart delivered to the Vendor pursuant to the Lease Assignment shall be deemed to be the original, and all other counterparts shall be deemed duplicates thereof. Although for convenience this Lease is dated as of the date first set forth above, the actual date or dates of execution hereof by the parties hereto is or are, respectively, the date or dates stated in the acknowledgments hereto annexed.

§ 20. Law Governing. The terms of this Lease and all rights and obligations hereunder shall be governed by the laws of the State of Michigan; provided, however, that the parties shall be entitled to all rights conferred by 49 U.S.C. § 11303.

§ 21. No Guarantee of CSA Indebtedness or Residual Value. Nothing in this Agreement is intended or shall be construed to constitute a guarantee by the Lessee of the CSA Indebtedness of the Vendee under the CSA or a guarantee of the residual value of any Unit.

IN WITNESS WHEREOF, the parties hereto have executed or caused this instrument to be executed as of the

date first above written.

THE DOW CHEMICAL COMPANY,

by

_____

[Corporate Seal]

Attest:

_____
Assistant Secretary

SECURITY PACIFIC EQUIPMENT
LEASING, INC.,

by

_____

[Corporate Seal]

Attest:

_____
Secretary

STATE OF MICHIGAN,)
) ss.:
COUNTY OF MIDLAND,)

On this day of 1981 before me personally appeared , to me personally known, who, being by me duly sworn, says that he is the Vice President of THE DOW CHEMICAL COMPANY, that one of the seals affixed to the foregoing instrument is the corporate seal of said Corporation, that said instrument was signed and sealed on behalf of said Corporation by authority of its Board of Directors, and he acknowledged that the execution of the foregoing instrument was the free act and deed of said Corporation.

Notary Public

[Notarial Seal]

My Commission expires

STATE OF ,)
) ss.:
COUNTY OF ,)

On this day of 1981 before me personally appeared , to me personally known, who, being by me duly sworn, says that he is of SECURITY PACIFIC EQUIPMENT LEASING, INC., that one of the seals affixed to the foregoing instrument is the corporate seal of said Corporation and that said instrument was signed and sealed on behalf of said Corporation by authority of its Board of Directors and he acknowledged that the execution of the foregoing instrument was the free act and deed of said Corporation.

Notary Public

[Notarial Seal]

My Commission expires

SCHEDULE A TO LEASE

Specifications of the Equipment

Type	Builder	Quantity	Lessee's Identification Numbers (Both Inclusive)
100 ton CF 2980 Center-flow covered hopper cars	ACF Industries, Inc.	47	DOWX 2711-2757
100 ton 25,000 gal. tank cars	ACF Industries, Inc.	13	DOWX 8465-8477
15,950 gal. caustic soda tank cars	General American Transportation Corporation	55	DOWX 7030-7084
20,000 gal. ethanolamine tank cars	General American Transportation Corporation	7	DOWX 3264-3270
25,200 gal. ethylene oxide tank cars	General American Transportation Corporation	23	DOWX 8402-8424
28,800 gal. Muriatick Acid tank cars	Richmond Tank Car Company	18	DOWX 6856-6873

SCHEDULE B TO LEASE

Casualty Values

Payment Date	Percentage
1/1/82	112.22347
7/1/82	111.83654
1/1/83	115.43458
7/1/83	115.01005
1/1/84	117.89247
7/1/84	117.42183
1/1/85	119.64282
7/1/85	119.11399
1/1/86	120.72353
7/1/86	120.12580
1/1/87	121.17613
7/1/87	120.50116
1/1/88	121.04705
7/1/88	120.28919
1/1/89	120.38826
7/1/89	119.54488
1/1/90	119.25794
7/1/90	118.32980
1/1/91	117.72127
7/1/91	116.72379
1/1/92	114.70969
7/1/92	112.43050
1/1/93	110.13967
7/1/93	107.70203
1/1/94	105.19745
7/1/94	102.59357

Casualty Values

Payment Date	Percentage
1/1/95	99.90553
7/1/95	97.12444
1/1/96	94.24390
7/1/96	91.27059
1/1/97	88.18729
7/1/97	85.00653
1/1/98	81.70704
7/1/98	78.30236
1/1/99	74.76987
7/1/99	71.12396
1/1/2000	67.37684
7/1/2000	63.56617
1/1/01	59.67529
7/1/01	55.72901

SCHEDULE C TO LEASE

Termination Values

Payment Date	Percentage Surplus	Percentage Obsolete
1/1/1992	114.74740	114.70969
7/1/1992	112.46488	112.43050
1/1/1993	110.17094	110.13967
7/1/1993	107.73039	107.70203
1/1/1994	105.22308	105.19745
7/1/1994	102.61661	102.59357
1/1/1995	99.92612	99.90553
7/1/1995	97.14268	97.12444
1/1/1996	94.25990	94.24390
7/1/1996	91.28447	91.27059
1/1/1997	88.19915	88.18729
7/1/1997	85.01650	85.00653
1/1/1998	81.71525	81.70704
7/1/1998	78.30894	78.30236
1/1/1999	74.77474	74.76987
7/1/1999	71.12718	71.12396
1/1/2000	67.37871	67.37684
7/1/2000	63.56703	63.56617
1/1/2001	59.67551	59.67529
7/1/2001	55.72901	55.72901

ANNEX D
to
Conditional Sale Agreement

ASSIGNMENT OF LEASE AND AGREEMENT dated as of January 1, 1981 (this "Assignment"), by and between SECURITY PACIFIC EQUIPMENT LEASING, INC. (the "Lessor" or the "Vendee"), and MERCANTILE-SAFE DEPOSIT AND TRUST COMPANY, as Agent (together with its successors and assigns the "Vendor") under a Participation Agreement dated as of the date hereof.

The Vendee is entering into a Conditional Sale Agreement dated as of the date hereof (the "CSA") with ACF Industries, Incorporated, General American Transportation Corporation and Richmond Tank Car Company (the "Builders"), providing for the sale to the Vendee of such units of railroad equipment (the "Units") described in the Annex thereto as are delivered to and accepted by the Vendee thereunder.

The Lessor and The Dow Chemical Company ("the Lessee") have entered into a Lease of Railroad Equipment dated as of the date hereof (the "Lease"), providing for the leasing of the Units to the Lessee by the Lessor.

In order to provide security for the obligations of the Lessor under the CSA and as an inducement to the Vendor to invest in the CSA Indebtedness (as defined in Article 4 of the CSA), the Lessor agrees to assign to the Vendor for security purposes the Lessor's rights in, to and under the Lease.

NOW, THEREFORE, in consideration of the premises and of the payments to be made and the covenants hereinafter mentioned to be kept and performed, the parties hereto agree as follows:

1. The Lessor hereby assigns, transfers and sets over unto the Vendor, as collateral security for the payment and performance of the obligations of the Lessor as Vendee under the CSA, all the Lessor's right, title and interest, powers, privileges, and other benefits under the Lease (except any amounts of indemnity payable to the Lessor pursuant to § 6 or 9 of the Lease or the Indemnity

Agreement dated as of the date hereof between the Lessee and Lessor), including, without limitation, the immediate right to receive and collect all rentals, profits and other sums payable to or receivable by the Lessor from the Lessee under or pursuant to the provisions of the Lease whether as rent, casualty or termination payment, indemnity, liquidated damages, or otherwise (such moneys being hereinafter called the "Payments"), and the right to make all waivers and agreements, to give all notices, consents and releases, to take all action upon the happening of an Event of Default specified in the Lease, and to do any and all other things whatsoever which the Lessor is or may become entitled to do under the Lease. In furtherance of the foregoing assignment, the Lessor hereby irrevocably authorizes and empowers the Vendor in its own name, or in the name of its nominee, or in the name of the Lessor or as its attorney, to ask, demand, sue for, collect and receive any and all Payments to which the Lessor is or may become entitled under the Lease, and to enforce compliance by the Lessee with all the terms and provisions thereof.

The Vendor agrees to accept any Payments made by the Lessee for the account of the Lessor pursuant to the Lease; and to the extent received, the Vendor will apply such Payments to satisfy the obligations of the Lessor under the CSA, and, so long as no event of default shall have occurred and be continuing under the CSA, any balance shall be paid to the Lessor on the same date such Payment is applied to satisfy such obligations of the Lessor by check mailed to the Lessor on such date or, upon written request of the Lessor, by bank wire to the Lessor at such address as may be specified to the Vendor in writing, and such balance shall be retained by the Lessor; provided, however, that, unless and until the Vendor shall otherwise direct the Lessee in writing pursuant to Paragraph (1) of the attached Consent and Agreement, the Lessee may pay directly to the Lessor that portion of the Payments not required from time to time to satisfy the obligations of the Lessor under the CSA. If the Vendor shall not receive any rental payment under the first paragraph of § 3 of the Lease or any payment under § 7 of the Lease when due, the Vendor shall forthwith notify the Lessor by telephone (confirmed in writing) or telegraph at the address set forth in the Lease; provided, however, that the failure of the Vendor so to notify the Lessor shall not affect the obligations of the Lessor hereunder or under the CSA.

2. This Assignment is executed only as security and, therefore, the execution and delivery of this Assignment shall not subject the Vendor to, or transfer, or pass, or in any way affect or modify the liability of the Lessor under the Lease, it being understood and agreed that notwithstanding this Assignment or any subsequent assignment, all obligations of the Lessor to the Lessee shall be and remain enforceable by the Lessee, its successors and assigns, against, and only against, the Lessor or persons other than the Vendor.

3. The Lessor will faithfully abide by, perform and discharge each and every obligation, covenant and agreement which the Lease provides is to be performed by the Lessor; without the written consent of the Vendor, the Lessor will not anticipate the rents under the Lease or waive, excuse, condone, forgive or in any manner release or discharge the Lessee thereunder of or from the obligations, covenants, conditions and agreements to be performed by the Lessee, including, without limitation, the obligation to pay the rents in the manner and at the time and place specified therein or enter into any agreement amending, modifying or terminating the Lease, and the Lessor agrees that any amendment modification or termination thereof without consent shall be void.

4. The Lessor does hereby constitute the Vendor the Lessor's true and lawful attorney, irrevocably, with full power (in the name of the Lessor, or otherwise) to ask, require, demand, receive and give acquittance for any and all Payments due and to become due under or arising out of the Lease to which the Lessor is or may become entitled, to enforce compliance by the Lessee with all the terms and provisions of the Lease, to endorse any checks or other instruments or orders in connection therewith and to file any claims or take any action or institute any proceedings which to the Vendor may seem to be necessary or advisable in the premises.

5. Upon the full discharge and satisfaction of all sums due from the Lessor under the CSA, this Assignment and all rights herein assigned to the Vendor shall terminate, and all estate, right, title and interest of the Vendor in and to the Lease shall revert to the Lessor.

6. The Lessor will pay and discharge any and

all taxes, claims, liens, charges or security interests (other than created by the CSA) on the Lease or the rentals or other payments due or to become due thereunder claimed by any party from, through or under the Lessor, or its successors and assigns (other than the Vendor), not arising out of the transactions contemplated by the CSA or the Lease (but including income taxes arising out of rentals and any other payments under the Lease and any other proceeds of the Equipment) which, if unpaid, might become a claim, lien, charge or security interest on or with respect to the Lease or such rentals, other payments or proceeds, unless the Lessor shall be contesting the same in good faith by appropriate proceedings in any reasonable manner and the nonpayment thereof does not, in the reasonable opinion of the Vendor, adversely affect such interests of the Vendor.

7. The Lessor will, from time to time, execute, acknowledge and deliver any and all further instruments required by law as reasonably requested by the Vendor in order to confirm or further assure the interest of the Vendor hereunder.

8. The Vendor may assign all or any of the rights assigned to it hereby or arising under the Lease, including, without limitation, the right to receive any Payments due or to become due. In the event of any such assignment, any such subsequent or successive assignee or assignees shall, to the extent of such assignment, enjoy all the rights and privileges and be subject to all the obligations of the Vendor hereunder.

9. This Assignment shall be governed by the laws of the State of New York, but the parties shall be entitled to all rights conferred by 49 U.S.C. § 11303.

10. The Lessor shall cause copies of all notices received in connection with the Lease and all payments hereunder to be promptly delivered or made to the Vendor at Two Hopkins Plaza, Baltimore, Maryland 21203, Attention of Corporate Trust Department, or such other address as the Vendor shall designate.

11. The Vendor hereby agrees with the Lessor that the Vendor will not, so long as no Event of Default under the Lease or event of default under the CSA has occurred and is continuing, exercise or enforce, or

seek to exercise or enforce, or avail itself of, any of the rights, powers, privileges, authorizations or benefits which are assigned and transferred by the Lessor to the Vendor by this Assignment, except the right to receive and apply the Payments as provided in Paragraph 1 hereof, and that, subject to the terms of the Lease and the CSA, the Lessor may, so long as no such event of default under the CSA has occurred and is then continuing, exercise or enforce, or seek to exercise or enforce, its rights, powers, privileges and remedies arising out of subparagraph (a) of the first paragraph of § 10 of the Lease; provided, however, that the Lessor shall not, without the prior written consent of the Vendor, terminate the Lease or otherwise exercise or enforce, or seek to exercise or enforce, any rights, powers, privileges and remedies arising out of subparagraph (b) of said § 10.

12. This Assignment may be executed in any number of counterparts, all of which together shall constitute a single instrument, but the counterpart delivered to the Vendor shall be deemed to be the original and all others shall be deemed to be duplicates thereof. It shall not be necessary that any counterpart be signed by both parties so long as each party shall sign at least one counterpart.

IN WITNESS WHEREOF, the parties hereto have caused this instrument to be executed in their respective corporate names by officers thereunto duly authorized, and their respective corporate seals to be affixed and duly attested, all as of the date first above written.

SECURITY PACIFIC EQUIPMENT
LEASING, INC.,

by

_____

[Corporate Seal]

Attest:

_____
Assistant Secretary

MERCANTILE-SAFE DEPOSIT & TRUST COMPANY,

by

_____
Assistant Vice President

[Corporate Seal]

Attest:

_____
Corporate Trust Officer

STATE OF CALIFORNIA,)
) ss.:
COUNTY OF SAN FRANCISCO,)

On this day of 1981, before me personally appeared ,
to me personally known, who being by me duly sworn, says that he is Executive Vice President of SECURITY PACIFIC EQUIPMENT LEASING, INC., that one of the seals affixed to the foregoing instrument is the corporate seal of said corporation and that said instrument was signed and sealed on behalf of said corporation by authority of its Board of Directors, and he acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.

_____
Notary Public

[Notarial Seal]

My Commission expires

STATE OF MARYLAND,)
) ss.:
CITY OF BALTIMORE,)

On this day of 1981, before me personally appeared ,
to me personally known, who being by me duly sworn, say that he is an Assistant Vice President of MERCANTILE-SAFE DEPOSIT AND TRUST COMPANY, that one of the seals affixed to the foregoing instrument is the corporate seal of said corporation and that said instrument was signed and sealed on behalf of said corporation by authority of its Board of Directors, and they acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.

_____
Notary Public

[Notarial Seal]

My Commission expires

CONSENT AND AGREEMENT

The undersigned, THE DOW CHEMICAL COMPANY, a Delaware corporation (the "Lessee"), the Lessee named in the Lease (the "Lease") referred to in the foregoing Assignment of Lease and Agreement (the "Lease Assignment"), hereby (a) acknowledges receipt of a copy of the Lease Assignment and (b) consents to all the terms and conditions of the Lease Assignment and agrees that:

(1) it will pay all rentals, casualty and termination payments, liquidated damages, indemnities and other moneys provided for in the Lease (which moneys, other than amounts that are not assigned under the Lease Assignment, are hereinafter called the "Payments") due and to become due under the Lease or otherwise in respect of the Units leased thereunder, to the extent such Payments are required to satisfy the obligations of the Lessor under the CSA (as defined in the Lease), by transfer of immediately available funds directly to Mercantile-Safe Deposit and Trust Company, as Agent (the "Vendor"), the assignee named in the Lease Assignment by 11:00 a.m. Baltimore time, on the date such payment is due, by bank wire transfer of immediately available funds to The Annapoolis Banking and Trust Company, Main Street and Church Circle, Annapolis, Maryland, for credit to the Agent's Account No. 52076-1, with a request that The Annapolis Banking and Trust Company advise Mrs. K. M. Tollberg, Assistant Vice President, Mercantile-Safe Deposit and Trust Company, Baltimore, Maryland, that the funds are "RE: DOW 1/1/81" (or at such other address as may be furnished in writing to the Lessee by the Vendor); any balance shall be paid by the Lessee to the Lessor (by check at its address set forth in § 17 of the Lease, or at such other place and in such other manner as the Lessor may indicate to the Lessee in writing) unless and until the Vendor shall otherwise direct the Lessee in writing;

(2) the Vendor shall be entitled to the benefits of, and to receive and enforce performance of, all the covenants to be performed by the Lessee under the Lease as though the Vendor were named therein as the Lessor;

(3) the Vendor shall not, by virtue of the Lease Assignment or this Consent and Agreement, be or become subject to any liability or obligation under the Lease or otherwise; and

(4) the Lease shall not, without the prior written consent of the Vendor, be terminated or modified, nor shall any action be taken or omitted by the Lessee the taking or omission of which might result in an alteration or impairment of the Lease or the Lease Assignment or this Consent and Agreement or of any of the rights created by any thereof.

This Consent and Agreement, when accepted by the Vendor by signing the Acceptance at the foot hereof, shall be deemed to be a contract under the laws of Michigan and, for all purposes, shall be construed in accordance with the laws of said State.

THE DOW CHEMICAL COMPANY,

by

_____

[Corporate Seal]

Attest:

_____
Assistant Secretary

The foregoing Consent and Agreement is hereby accepted, as of the 1st day of January 1981.

MERCANTILE-SAFE DEPOSIT AND TRUST COMPANY, as Agent,

by

_____
Assistant Vice President

[CS&M Ref: 2044-090]

CONDITIONAL SALE AGREEMENT

Dated as of January 1, 1981

between

SECURITY PACIFIC EQUIPMENT LEASING, INC.,
Vendee,

and each of

ACF INDUSTRIES, INCORPORATED,

GENERAL AMERICAN TRANSPORTATION CORPORATION

and

RICHMOND TANK CAR COMPANY

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CONDITIONAL SALE AGREEMENT dated as of January 1, 1981, between ACF INDUSTRIES, INCORPORATED, a New Jersey corporation, GENERAL AMERICAN TRANSPORTATION CORPORATION, a New York corporation, and RICHMOND TANK CAR COMPANY, a Delaware corporation (collectively the "Vendors" or "Builders" or individually the "Vendor" or the "Builder" as more particularly set forth in Article 1 hereof), and SECURITY PACIFIC EQUIPMENT LEASING, INC. (the "Vendee").

The Builders severally agree to construct, sell and deliver to the Vendee, and the Vendee agrees to purchase, the railroad equipment described in Annex B hereto other than equipment excluded pursuant to Article 3 or Article 4 hereof (the "Equipment").

The Vendee is entering into a Lease of Railroad Equipment dated as of the date hereof (the "Lease") with THE DOW CHEMICAL COMPANY (the "Lessee"), substantially in the form of Annex C hereto.

Mercantile-Safe Deposit and Trust Company (the "Assignee" or "Vendor") is acting as agent for certain investors pursuant to a Participation Agreement dated as of the date hereof (the "Participation Agreement") among the Assignee, the Vendee, the Lessee and such investors.

NOW, THEREFORE, in consideration of the mutual promises, covenants and agreements hereinafter set forth, the parties hereto do hereby agree as follows:

ARTICLE 1. Assignment; Definitions. The parties hereto contemplate that the Vendee will furnish that portion of the Purchase Price (as hereinafter defined) for the Equipment as is required under subparagraph (a) of the third paragraph of Article 4 hereof and that an amount equal to the balance of such Purchase Price as is payable hereunder shall be paid to the Builder by the Assignee pursuant to an Agreement and Assignment dated as of the date hereof between the Builder and the Assignee (such Agreement and Assignment being hereinafter called the Assignment).

The term "Vendor", whenever used in this Agree-

ment, means, before any assignment of their rights hereunder, the parties hereto which have manufactured the Equipment and any successor or successors for the time being to their respective manufacturing properties and business, and, after any such assignment, both any assignee or assignees for the time being of such particular assigned rights as regards such rights, and also any assignor as regards any rights hereunder that are retained or excluded from any assignment; and the term "Builder", whenever used in this Agreement, means, both before and after any such assignment, one of the parties hereto which has manufactured the Equipment and any successor or successors for the time being to its manufacturing properties and business.

The rights and obligations of the Builders under this Agreement are several in accordance with their interests and not joint. Accordingly, whenever this Agreement, by the use of such designation as "the Vendor", "such Builder", "the Builder", or other similar term, confers a right or imposes an obligation upon any corporation named in Item 1 of Schedule A hereto or its successor, such right or obligation shall be construed to accrue to or be enforceable against only the specific corporation furnishing the units of Equipment giving rise to such right or obligation and its successors as herein provided.

In case of such assignment, the Vendee will assign to the Vendor, as security for the payment and performance of all the Vendee's obligations hereunder, all right, title, and interest of the Vendee in and to the Lease, pursuant to an Assignment of Lease and Agreement in the form of Annex D hereto (the "Lease Assignment"), and the Lessee shall consent thereto pursuant to the Consent and Agreement in the form attached to Annex D (the "Consent").

ARTICLE 2. Construction and Sale. Pursuant to this Agreement, each Builder shall construct the Equipment at its plant set forth in Annex B hereto (such Equipment with respect to each Builder being hereinafter sometimes called "its Equipment"), and each Builder will sell and deliver to the Vendee, and the Vendee will purchase from the Builder and accept delivery of and pay for (as hereinafter provided), such Builder's Equipment, each unit of which shall be constructed in accordance with the specifications referred to in Annex B hereto and in accordance with such modifications thereof as may be agreed upon in

writing between the applicable Builder, the Vendee and the Lessee (which specifications and modifications, if any, are hereinafter called the "Specifications"). The design, quality and component parts of each unit of the Equipment shall conform, on the date of completion of manufacture thereof, to all Department of Transportation and Interstate Commerce Commission requirements and specifications and to all standards, if any, recommended by the Association of American Railroads reasonably interpreted as then being applicable to each such unit of Equipment, and each such unit will be new railroad equipment.

ARTICLE 3. Inspection and Delivery. Each Builder will deliver the units of its Equipment to the Vendee at the place or places specified in Annex B hereto (or at such other place or places designated from time to time by Lessee on behalf of the Vendee), freight and storage charges, if any, prepaid and included in the Purchase Price, in accordance with the delivery schedule set forth in Annex B hereto; provided, however, that any unit of Equipment which is delivered prior to the filing of this Agreement and the Lease pursuant to 49 U.S.C. § 11303 shall be excluded from this Agreement, and the Vendee shall be relieved of its obligation to purchase and pay for such Equipment; and provided further, that neither Builder shall have any obligation to deliver any unit of Equipment hereunder subsequent to the commencement of any proceedings specified in clause (c) of Article 15 hereof or the occurrence of any event of default (as described in Article 15 hereof), or event which, with the lapse of time and/or demand, would constitute such an event of default. Each Builder agrees not to deliver any unit of Equipment hereunder (a) following receipt of written notice from the Vendee or the Assignee of the commencement of any such proceedings or the occurrence of any such event, as aforesaid, and (b) until such Builder receives notice from the Assignee and the Vendee, respectively, that the conditions contained in Paragraphs 6 and 7, respectively, of the Participation Agreement have been met or waived.

Any Equipment delivered prior to the filing of this Agreement and the Lease pursuant to 49 U.S.C. § 11303 and any Equipment not delivered at the time of receipt by the Builder of the notice specified in clause (a) of the second sentence of the first paragraph of this Article 3 and any Equipment not delivered and accepted hereunder on or prior to June 29, 1981, shall be excluded from this

Agreement, and the Vendee shall be relieved of its obligation to purchase and pay for such Equipment. If any Equipment shall be excluded herefrom pursuant to the immediately preceding sentence, the Builder thereof and the Vendee shall execute an agreement supplemental hereto limiting this Agreement to the Equipment not so excluded herefrom. Pursuant to the Participation Agreement the Lessee has agreed to purchase such excluded Equipment and any Equipment excluded from this Agreement pursuant to the first paragraph of Article 4 hereof from the Builder thereof as provided in Paragraph 1 of the Participation Agreement.

Each Builder's obligation as to the time of delivery set forth in Annex B hereto is subject, however, to delays resulting from causes beyond such Builder's reasonable control, including but not limited to acts of God, acts of government such as embargoes, priorities and allocations, war or war conditions, riot or civil commotion, sabotage, strikes, differences with workmen, accidents, fire, flood, explosion, damage to plant, equipment or facilities, delays in receiving necessary materials or delays of carriers or subcontractors.

During construction, the Equipment shall be subject to inspection and approval by the authorized inspectors of the Vendee (who may be employees of the Lessee), and each Builder shall grant to such authorized inspectors reasonable access to its plant. Each Builder agrees to inspect the materials used in the construction of its Equipment in accordance with the standard quality control practices of such Builder. Upon completion of each unit or a number of units of the Equipment, such unit or units shall be presented to an inspector of the Vendee for inspection at the place specified for delivery of such unit or units, and if each such unit conforms to the Specifications, requirements and standards applicable thereto, such inspector or an authorized representative of the Vendee (who may be an employee of the Lessee) shall execute and deliver to the Builder thereof a certificate of acceptance (the "Certificate of Acceptance"), stating that such unit or units have been inspected and accepted on behalf of the Vendee and the Lessee and are marked in accordance with Article 9 hereof.

On delivery and acceptance of each such unit hereunder at the place specified for delivery, the Builder thereof shall not have any further responsibility for, nor

bear any risk of, any damage to or the destruction or loss of such unit; provided, however, that such Builder shall not thereby be relieved of its warranty referred to in Article 13 hereof.

Notwithstanding the foregoing or any other provision of this Agreement to the contrary, the delivery to and acceptance by or on behalf of the Vendee of any unit of Equipment excluded from this Agreement pursuant to the first paragraph of Article 4 hereof shall be ineffective, ab initio, to create in or transfer to the Vendee any legal or beneficial right or interest in such unit or (except as provided in the first paragraph of Article 4 hereof) to impose on the Vendee any liability, obligation or responsibility with respect thereto; any right or interest in any such unit created in, or transferred to, or purported to be created in or transferred to, the Vendee shall be held by the Vendee solely as trustee for the benefit of the Lessee.

ARTICLE 4. Purchase Price and Payment. The base price or prices per unit of the Equipment are set forth in Annex B hereto. Such base price or prices are subject to such increase or decrease as may be agreed among the Builder thereof, the Vendee, and the Lessee. The term "Purchase Price" as used herein shall mean such base price or prices as so increased or decreased (as set forth in the invoice or invoices of the Builder thereof which shall be accompanied by, or have endorsed thereon, the agreement or approval of the Lessee and the Vendee) plus the Lining Costs (as defined in Paragraph 2 of the Participation Agreement). If on any Closing Date (as hereinafter defined in this Article) the aggregate Purchase Price of Equipment and linings for which settlement has theretofore been and is then being made under this Agreement would, but for the provisions of this sentence, exceed the Maximum Purchase Price specified in Item 5 of Annex A hereto (or such higher amount as the Vendee may at its option agree to prior to delivery of any unit or units of Equipment that, but for such agreement, would be excluded from this Agreement), the appropriate Builder or Builders (and any assignee of such Builder or Builders) and the Vendee will enter into an agreement excluding from this Agreement such unit or units of Equipment then proposed to be settled for and specified by the Vendee, as will, after giving effect to such exclusion, reduce such aggregate Purchase Price under this Agreement to not more than the

Maximum Purchase Price specified in Item 5 of Annex A hereto (or such higher amount as aforesaid), and the Vendee shall take such other steps, including the execution of instruments of transfer, as may be reasonably requested by the Lessee for the purpose of acknowledging and perfecting the interest of the Lessee in any unit of Equipment so excluded from this Agreement, and the Vendee shall have no further obligation or liability in respect of units so excluded.

The Equipment shall be settled for in such number of groups of units of the Equipment delivered to and accepted by the Vendee as is provided in Item 2 of Annex A hereto (each such group being hereinafter called a Group). The term "Closing Date" with respect to any Group shall mean such date or dates (not later than June 29, 1981, such later date being herein called the Final Closing Date), occurring not more than 10 business days following presentation by the Builder to the Vendee of the Invoices and of the Certificate or Certificates of Acceptance for the Equipment and written notice thereof by the Builder to the Lessee, as shall be fixed by the Builder by written notice delivered to the Vendee and the Assignee at least 4 business days prior to the Closing Date designated therein. The term "business days" as used herein means calendar days, excluding Saturdays, Sundays and any other day on which banking institutions in New York, New York, San Francisco, California, or Chicago, Illinois, are authorized or obligated to remain closed. On each Closing Date, each Builder will be paid the Purchase Price for its Equipment then being settled for in the manner and subject to the conditions set forth in Section 4 of the CSA Assignment.

The Vendee hereby acknowledges itself to be indebted to the Vendor in the amount of, and hereby promises to pay or cause to be paid in cash to the Vendor at such place as the Vendor may designate, the Purchase Price of the Equipment, as follows:

(a) not later than 1:00 p.m., Baltimore time, on the Closing Date with respect to each Group (i) an amount equal to 29.874% of the aggregate Purchase Price of Equipment included in such Group represented by the Invoice or Invoices of the Builder therefor (being the aggregate Purchase Price of such Group minus Lining Costs) (hereinafter being called the Invoiced Purchase Price) plus (ii) the amount, if any,

by which (x) the remainder of the Purchase Price of all units of the Equipment covered by this Agreement for which settlement has theretofore and is then being made, as set forth in the Invoice or Invoices therefor exceeds (y) the Maximum CSA Indebtedness specified in Item 6 of Annex A and any amount or amounts previously paid or payable with respect to the Purchase Prices pursuant to this Clause (ii); and

(b) in 40 semiannual installments, as hereinafter provided, an amount equal to the balance of the Purchase Price (including the Lining Costs) specified in subparagraph (a) of this paragraph.

The portion of the Purchase Price payable pursuant to subparagraph (b) of the preceding paragraph (herein called the "CSA Indebtedness") shall be payable in 40 consecutive semiannual installments commencing December 30, 1981, to and including June 30, 2001 (or if any such date is not a business day, on the next succeeding business day), each such date being hereinafter called a Payment Date. The unpaid balance of the CSA Indebtedness shall bear interest from the Closing Date in respect of which such indebtedness was incurred at the rate of 14% per annum. Such interest shall be payable, to the extent accrued, on June 30, 1981, and on each Payment Date thereafter. The installments of principal payable on each Payment Date shall be calculated so that the amount and allocation of principal and interest payable on each Payment Date shall be substantially in proportion to the amount and allocation of principal and interest on such Payment Date set forth in Schedule I hereto, and such installments of principal will completely amortize the CSA Indebtedness. The Vendee will furnish to the Vendor and the Lessee promptly after last Closing Date a schedule, in such number of counterparts as shall be requested by the Vendor, showing the respective amounts of principal and interest payable on each Payment Date.

Interest under this Agreement shall be determined on the basis of a 360-day year of 12 30-day months, except that the interest due on June 30, 1981, and interest due pursuant to the next succeeding paragraph shall be determined on an actual elapsed day, 365-day year basis.

The Vendee will pay, to the extent legally enforceable, interest upon all amounts remaining unpaid

after the same shall have become due and payable pursuant to the terms hereof at the rate of 15% per annum.

All payments provided for in this Agreement shall be made in such coin or currency of the United States of America as at the time of payment shall be legal tender for the payment of public and private debts. Except as provided in this Article 4 and Article 7 hereof, the Vendee shall not have the privilege of prepaying any portion of the CSA Indebtedness prior to the date it becomes due.

The obligation of the Vendee to pay to the Vendor the amount required to be paid pursuant to subparagraph (a) of the third paragraph of this Article 4 with respect to any Group shall be subject to the receipt by the Vendee of copies of the documents required to be furnished by the relevant Builder pursuant to Section 4 of the CSA Assignment in respect of such Group.

Notwithstanding any other provision of this Agreement (including, but not limited to, any provision of Articles 15 and 16 hereof) but not limiting the effect of Article 21 hereof, it is understood and agreed by the Vendor that the liability of the Vendee or any assignee of the Vendee for all payments to be made by it under and pursuant to this Agreement or the performance of its obligations hereunder and excluding only the obligations set forth in the proviso in the third paragraph of Article 12 hereof, the payments to be made pursuant to subparagraph (a) of the third paragraph of this Article and the interest payable on the CSA Indebtedness due June 30, 1981, pursuant to the fourth paragraph of this Article 4, shall not exceed an amount equal to, and shall be payable only out of, the "income and proceeds from the Equipment". As used herein the term "income and proceeds from the Equipment" shall mean (i) if one of the events of default specified in Article 15 hereof shall have occurred and while it shall be continuing, so much of the following amounts as are indefeasibly received by the Vendee or any assignee of the Vendee at any time after any such event and during the continuance thereof: (a) all amounts of rental and amounts in respect of Casualty Occurrences or Terminations (as defined in Article 7 hereof) paid for or with respect to the Equipment pursuant to the Lease and any and all other payments received under § 10 or any other provision of the Lease (other than indemnity payments paid or payable under § 9 of the Lease and taxes and indemnities paid or payable to the Vendee under § 6 of the Lease) and (b) any and all

payments or proceeds received for or with respect to the Equipment as the result of the sale, lease or other disposition thereof, after deducting all costs and expenses of such sale, lease or other disposition, and (ii) at any other time, only that portion of the amounts referred to in the foregoing clauses (a) and (b) as are indefeasibly received by the Vendee or any assignee of the Vendee and as shall equal the portion of the CSA Indebtedness (including prepayments thereof required in respect of Casualty Occurrences or Terminations) and/or interest thereon due and payable on the date such amounts were required to be paid pursuant to the Lease or as shall equal any other payments then due and payable under this Agreement; it being understood that (1) "income and proceeds from the Equipment" shall in no event include amounts referred to in the foregoing clauses (a) and (b) received by the Vendee or any assignee of the Vendee prior to the existence of such an event of default which exceeded the amounts required to discharge that portion of the CSA Indebtedness (including prepayments thereof required in respect of Casualty Occurrences or Voluntary Terminations) and/or interest thereon due and payable on the date on which amounts with respect thereto received by the Vendee or any assignee of the Vendee were required to be paid to it pursuant to the Lease or which exceeded any other payments due and payable under this Agreement at the time such amounts were payable under the Lease, (2) "income and proceeds from the Equipment" shall also mean and include the amounts to be paid by the Vendee pursuant to Paragraph 17 of the Participation Agreement and (3) "income and proceeds from the Equipment" shall in no event include the amounts paid pursuant to § 3 of the Lease on any rental payment date if, but only if, the Vendee has made the payment of CSA Indebtedness and interest due on the immediately preceding December 30 or June 30, as the case may be, pursuant to this Article 4. Notwithstanding anything to the contrary contained in Article 15 or 16 hereof, the Vendor agrees that in the event it shall obtain a judgment against the Vendee for an amount in excess of the amounts payable by the Vendee pursuant to the limitations set forth in this paragraph, it will limit its execution of such judgment to amounts payable pursuant to the limitations set forth in this paragraph. Nothing contained herein limiting the liability of the Vendee shall derogate from the right of the Vendor to proceed against the Equipment for the full unpaid Purchase Price of the Equipment and interest thereon and all other payments and obligations hereunder.

ARTICLE 5. Security Interest in the Equipment. The Vendor shall and hereby does retain a security interest in the Equipment until the Vendee shall have made all its payments under this Agreement and shall have kept and performed all its agreements herein contained, notwithstanding any provision of this Agreement limiting the liability of the Vendee and notwithstanding the delivery of the Equipment to and the possession and use thereof by the Vendee and the Lessee as provided in this Agreement and the Lease.

Except as otherwise specifically provided in Article 7 hereof, when and only when the Vendor shall have been paid the full indebtedness in respect of the Purchase Price of the Equipment, together with interest and all other payments as herein provided, absolute right to the possession of, title to and property in the Equipment shall pass to and vest in the Vendee without further transfer or action on the part of the Vendor. Upon the payment in full of the indebtedness, interest and other payments referred to in the immediately preceding sentence, the Vendor shall, if so requested by the Vendee, (a) execute a bill or bills of sale for the Equipment releasing its security interest therein to the Vendee or upon its order, free of all liens, security interests and other encumbrances created or retained hereby and deliver such bill or bills of sale to the Vendee at its address referred to in Article 20 hereof, (b) execute and deliver at the same place, for filing, recording or depositing in all necessary public offices, such instrument or instruments in writing as may be necessary or appropriate in order then to make clear upon the public records the title of the Vendee to the Equipment and (c) pay to the Vendee any money paid to the Vendor pursuant to Article 7 hereof and not theretofore applied as therein provided. The Vendee hereby waives and releases any and all rights, existing or that may be acquired, in or to the payment of any penalty, forfeit or damages for failure to execute and deliver such bill or bills of sale or instrument or instruments or to file any certificate of payment in compliance with any law or statute requiring the filing of the same, except for failure to execute and deliver such bill or bills of sale or instrument or instruments or to file such certificate within a reasonable time after written demand by the Vendee.

ARTICLE 6. Taxes. All payments to be made by the Vendee hereunder will be free of expense to the Vendor

for collection or other charges and will be free of expense to the Vendor with respect to the amount of any local, state, Federal or foreign taxes (other than gross receipts taxes [except gross receipt taxes in the nature of or in lieu of sales or use or rental taxes], franchise taxes, taxes measured by net income, excess profits taxes and similar taxes) or license fees, assessments, charges, fines or penalties hereafter levied or imposed upon or in connection with or measured by this Agreement or any sale, rental, use, payment, shipment, delivery or transfer of title under the terms hereof (all such expenses, taxes, license fees, assessments, charges, fines and penalties being hereinafter called "impositions"), all of which impositions the Vendee assumes and agrees to pay on demand in addition to the Purchase Price of the Equipment. The Vendee will also pay promptly all impositions which may be imposed upon the Equipment delivered to it or for the use or operation thereof or upon the earnings arising therefrom (except as provided above) or upon the Vendor solely by reason of its ownership thereof (except as provided above) and will keep at all times all and every part of the Equipment free and clear of all impositions which might in any way affect the security interest of the Vendor or result in a lien upon any part of the Equipment; provided, however, that the Vendee shall be under no obligation to pay any impositions of any kind so long as it is contesting in good faith and by appropriate legal or administrative proceedings such impositions and the nonpayment thereof does not, in the reasonable opinion of the Vendor, adversely affect the security interest or property or rights of the Vendor in or to the Equipment or otherwise under this Agreement. If any impositions shall have been charged or levied against the Vendor directly and paid by the Vendor, the Vendee shall reimburse the Vendor upon presentation of an invoice therefor, and any amounts so paid by the Vendor shall be secured by and under this Agreement; provided, however, that the Vendee shall not be obligated to reimburse the Vendor for any impositions so paid unless the Vendor shall have been legally liable with respect thereto (as evidenced by an opinion of counsel for the Vendor) or unless the Vendee shall have approved in writing the payment thereof.

ARTICLE 7. Maintenance, Termination and Casualty Occurrences. The Vendee shall, at its own cost and expense, maintain and keep each unit of the Equipment in good operating order, repair and condition.

In the event that the Lease is terminated voluntarily pursuant to § 7 of the Lease as to any Unit (hereinafter called a "Termination") or any unit of the Equipment shall be or become worn out, lost, stolen, destroyed, or, in the opinion of the Vendee or the Lessee, irreparably damaged, from any cause whatsoever, or any unit shall be taken or requisitioned by condemnation or otherwise resulting in loss of possession by the Lessee for a period of 90 consecutive days, except requisition for use by the United States Government (any such occurrence being herein called a "Casualty Occurrence"), the Vendee shall, promptly after it shall have received notice from the Lessee or has otherwise been informed of a Termination or that such unit has suffered a Casualty Occurrence, cause the Vendor to be fully informed in regard thereto. On the Casualty Date (as defined in the Lease) or on the Termination Date (as defined in the Lease) in the case of a Termination (each such date hereinafter called a "Settlement Date"), the Vendee shall, subject to the limitations contained in the ninth paragraph of Article 4 hereof, pay to the Vendor (i) in the case of a Casualty Occurence, a sum equal to the Casualty Value (as hereinafter defined in this Article 7) of such unit suffering a Casualty Occurrence as of such Settlement Date, together with an amount equal to accrued interest thereon (as hereinafter provided) and (ii) in the case of a Termination, a sum equal to the Termination Value (as hereinafter defined in this Article 7) of such unit subject to such Termination as of such Settlement Date. The Vendee shall file, or cause to be filed, with the Vendor a certificate setting forth the Casualty Value of such unit or the Termination Value of such unit, as the case may be. Any money paid to the Vendor pursuant to this paragraph shall be applied (after the payment of the interest and principal due on such date) on the date of such payment to prepay without penalty or premium, except in the case of a Termination, ratably in accordance with the unpaid balance of each installment, the CSA Indebtedness, together with all interest accrued and unpaid on the portion of the CSA Indebtedness being prepaid. The Vendee shall promptly cause to be furnished to the Vendor and the Lessee a revised schedule of payments of principal and interest thereafter to be made, in such number of counterparts as the Assignee may request, calculated as provided in Article 4 hereof. In the event of the requisition for use by the United States Government of any unit of the Equipment, all of the Vendee's obligations hereunder with respect to such unit shall continue to the same extent as

if such requisition had not occurred.

The Casualty Value of each unit of the Equipment shall be deemed to be that portion of the Purchase Price thereof referred to in subparagraph (b) of the third paragraph of Article 4 hereof remaining unpaid on the date (after the payment of the interest and principal due on such date) as of which such Casualty Value shall be determined (without giving effect to any prepayment or prepayments theretofore made under this Article with respect to any other unit). For the purpose of this paragraph and the next succeeding paragraph hereof, each payment of the Purchase Price made pursuant to Article 4 hereof shall be deemed to be a payment with respect to each unit of Equipment in like proportion as the original Purchase Price of such unit bears to the aggregate original Purchase Price of all the Equipment.

The Termination Value of any unit shall be: (a) in the case of an Obsolescence Termination (as defined in the Lease), an amount equal to the Casualty Value; or (b) in the case of a Surplus Termination (as defined in the Lease), an amount equal to the sum of (i) the Casualty Value thereof plus (ii) a prepayment penalty premium equal to the product of the multiplication of such Casualty Value by the applicable percentage set forth below:

Settlement Date	Percentage
January 1, 1992	7.03%
July 1, 1992	6.66
January 1, 1993	6.29
July 1, 1993	5.92
January 1, 1994	5.55
July 1, 1994	5.18
January 1, 1995	4.81
July 1, 1995	4.44
January 1, 1996	4.07
July 1, 1996	3.70
January 1, 1997	3.33
July 1, 1997	2.96
January 1, 1998	2.59
July 1, 1998	2.22
January 1, 1999	1.85
July 1, 1999	1.48
January 1, 2000	1.11
July 1, 2000	.74
January 1, 2001	.37
July 1, 2001	0.00

Upon payment by the Vendee to the Vendor (i) of the Casualty Value of any unit of the Equipment having suffered a Casualty Occurrence or (ii) of the Termination Value of any unit subject to a Termination, absolute right to the possession of, title to and property in such unit shall pass to and vest in the Vendee, without further transfer or action on the part of the Vendor, except that the Vendor, if requested by the Vendee, will execute and deliver to the Vendee, at the expense of the Vendee, an appropriate instrument confirming such passage to the Vendee of all the Vendor's right, title and interest, and the release of the Vendor's security interest, in such unit, in recordable form, in order that the Vendee may make clear upon the public records the title of the Vendee to such unit.

If the Vendor shall receive any insurance proceeds or condemnation payments in respect of such units suffering a Casualty Occurrence, the Vendor shall, subject to the Vendor having received payment of the Casualty Value hereunder, pay such insurance proceeds or condemnation payments to the Vendee. All insurance proceeds or condemnation payments received by the Vendor in respect of any unit or units of Equipment not suffering a Casualty Occurrence shall be paid to the Vendee upon proof satisfactory to the Vendor that any damage to such unit in respect of which such proceeds were paid has been fully repaired.

ARTICLE 8. Reports and Inspections. On or before April 30 in each year, commencing with the year 1982, the Vendee shall cause to be furnished to the Vendor an accurate statement to the effect set forth in § 8 of the Lease. The Vendor shall have the right, by its agents, to inspect the Equipment and the Lessee's records with respect to matters reasonably related hereto at such reasonable times as the Vendor may request during the term of this Agreement, subject to the Lessee's applicable secrecy, safety and security regulations for the property involved.

ARTICLE 9. Marking of Equipment. The Vendee will cause each unit of the Equipment to be kept numbered with the road number and marked as provided in § 5 of the Lease. The Vendee will not permit any such unit to be placed in operation or exercise any control or dominion over the same until such markings shall have been made thereon and will replace or will cause to be replaced promptly any such markings which may be removed, obliter-

ated, defaced or destroyed. The Vendee will not permit the identifying number of any unit of the Equipment to be changed except in accordance with a statement of new number or numbers to be substituted therefor, which statement previously shall have been filed with the Vendor and filed, recorded and deposited by the Vendee in all public offices where this Agreement shall have been filed, recorded and deposited.

Except as provided in the immediately preceding paragraph, the Vendee will not allow the name of any person, association or corporation to be placed on any unit of the Equipment as a designation that might be interpreted as a claim of ownership; provided, however, that the Equipment may be lettered with the names or initials or other insignia customarily used by the Lessee or its affiliates or any permitted sublessees.

ARTICLE 10. Compliance with Laws and Rules. During the term of this Agreement, the Vendee will comply, and will cause every lessee or user of the Equipment to comply, in all respects (including, without limitation, with respect to the use, maintenance and operation of the Equipment) with all laws of the jurisdictions in which its or such lessee's or user's operations involving the Equipment may extend, with the interchange rules of the Association of American Railroads and with all lawful rules of the Department of Transportation, the Interstate Commerce Commission and any other legislative, executive, administrative or judicial body exercising any power or jurisdiction over the Equipment, to the extent that such laws and rules affect the title, operation or use of the Equipment, and in the event that such laws or rules require any alteration, replacement or modification of or to any part of any unit of the Equipment, the Vendee will conform therewith at its own expense; provided, however, that the Vendee or the Lessee may, in good faith, contest the validity or application of any such law or rule in any reasonable manner which does not, in the reasonable opinion of the Vendor, adversely affect the property or rights of the Vendor under this Agreement.

ARTICLE 11. Possession and Use. The Vendee, so long as an event of default shall not have occurred and be continuing under this Agreement, shall be entitled, from and after delivery of the Equipment by the Builder to the Vendee, to the possession of the Equipment and the use

thereof, but only upon and subject to all the terms and conditions of this Agreement.

The parties hereto acknowledge that the Vendee simultaneously is leasing the Equipment to the Lessee as provided in the Lease, and the rights of the Lessee and its permitted assigns under the Lease shall be subordinated and junior in rank to the rights, and shall be subject to the remedies, of the Vendor under this Agreement. The Lease shall not be amended or terminated (except in accordance with its terms) without the prior written consent of the Vendor.

ARTICLE 12. Prohibition Against Liens. The Vendee will pay or discharge any and all sums claimed by any party from, through or under the Vendee or its successors or assigns which, if unpaid, might become a lien, charge or security interest on or with respect to the Equipment, or any unit thereof, or the Vendee's interests in the Lease and the payments to be made thereunder equal or superior to the Vendor's security interest therein, and will promptly discharge any such lien, charge or security interest which arises, but the Vendee shall not be required to pay or discharge any such claim so long as the validity thereof shall be contested in good faith and by appropriate legal or administrative proceedings in any reasonable manner and the nonpayment thereof does not, in the reasonable opinion of the Vendor, adversely affect the security interest of the Vendor in or to the Equipment or otherwise under this Agreement. Any amounts paid by the Vendor in discharge of liens, charges or security interests upon the Equipment shall be secured by and under this Agreement.

This covenant will not be deemed breached by reason of liens for taxes, assessments or governmental charges or levies, in each case not due and delinquent, or undetermined or inchoate materialmen's, mechanics', workmen's, repairmen's or other like liens arising in the ordinary course of business and, in each case, not delinquent.

The foregoing provisions of this Article 12 shall be subject to the limitations set forth in the last paragraph of Article 4 hereof and the provisions of Article 21 hereof; provided, however, that the Vendee will pay or discharge any and all taxes, claims, liens, charges or

security interests claimed by any party from, through or under the Vendee or its successors or assigns, not arising out of the transactions contemplated hereby (but including taxes arising out of the receipt of the rentals and other payments under the Lease and any other proceeds from the Equipment), which, if unpaid, might become a lien, charge or security interest on or with respect to the Equipment, or any unit thereof, or the Vendee's interest in the Lease and the payments to be made thereunder, but the Vendee shall not be required to pay or discharge any such claim so long as the validity thereof shall be contested in good faith and by appropriate legal or administrative proceedings in any reasonable manner and the nonpayment thereof does not, in the reasonable opinion of the Vendor, adversely affect the security interest of the Vendor in or to the Equipment or otherwise under this Agreement or in and to the Lease and the payments to be made thereunder.

ARTICLE 13. Indemnities and Warranties. The Vendee agrees to indemnify, protect and hold harmless the Vendor from and against all losses, damages, injuries, liabilities, claims and demands whatsoever, regardless of the cause thereof, and expenses in connection therewith, including but not limited to counsel fees and expenses, penalties and interest, arising out of or as the result of the entering into or the performance of this Agreement, the retention by the Vendor of title to or a security interest in the Equipment, the ordering, acquisition, use, operation, condition, purchase, delivery, rejection, storage or return of any of the Equipment, any accident in connection with the operation, use, condition, possession, storage or return of any of the Equipment resulting in damage to property or injury or death to any person during the period when title thereto or a security interest therein remains in the Vendor or the transfer of title to the Equipment by the Vendor pursuant to any of the provisions of this Agreement, except however, in the case of any Builder, any losses, damages, injuries, liabilities, claims and demands whatsoever arising out of any tort, breach of warranty or failure to perform any covenant hereunder by such Builder. This covenant of indemnity shall continue in full force and effect notwithstanding the full payment of the indebtedness in respect of the Purchase Price of, and the release of the security interest in, the Equipment, as provided in Article 5 hereof, or the termination of this Agreement in any manner whatsoever.

The Vendee will bear the responsibility for and risk of, and shall not be released from its obligations hereunder (except as provided in Article 21 hereof) in the event of, any damage to or the destruction or loss of any unit of or all the Equipment.

Each Builder represents and warrants to the Vendee that, at the time of delivery and acceptance of each unit of its Equipment under this Agreement, the Vendee will have good and marketable title to such unit, free and clear of all claims, liens, security interests and other encumbrances of any nature except only the rights of the Vendor under this Agreement and the rights of the Lessee under the Lease.

Each Builder represents that it is not entering into this Agreement, or entering into any assignment of this Agreement, directly or indirectly in connection with any arrangement or understanding in any way involving any employee benefit plan (other than a governmental plan) with respect to which it is a party in interest, all within the meaning of the Employee Retirement Income Security Act of 1974.

The agreement of the parties relating to each Builder's warranty of material and workmanship and the agreement of the parties relating to patent indemnification are set forth in Items 3 and 4 of Annex A hereto.

ARTICLE 14. Assignments. The Vendee will not (a) except as provided in Article 11 hereof, transfer the right to possession of any unit of the Equipment or (b) without the prior written consent of the Vendor (which consent shall not unreasonably be withheld) sell, assign, transfer or otherwise dispose of its rights under this Agreement. Any such sale, assignment, transfer or disposition which may be made by the Vendee to another party shall be subject to the assumption by such party of all the obligations of the Vendee hereunder.

All or any of the rights, benefits and advantages of the Vendor under this Agreement, including the right to receive the payments herein provided to be made by the Vendee, may be assigned by the Vendor and reassigned by any assignee at any time or from time to time. No such assignment shall subject any assignee to, or relieve any Builder from, any of the obligations of such Builder to construct and deliver its Equipment in accordance herewith

or to respond to its warranties and indemnities referred to in Article 13 hereof, or relieve the Vendee of its obligations to such Builder contained in Articles 2, 3, 4, 6 and 13 hereof, Annex A hereto and this Article 14, or any other obligation which, according to its terms or context, is intended to survive an assignment.

Upon any such assignment, the assignor shall give written notice to the Vendee and the Lessee, together with a counterpart or copy of such assignment, stating the identity and post office address of the assignee, and such assignee shall, by virtue of such assignment, acquire all the assignor's right, title and interest in and to the Equipment and this Agreement, or in and to a portion thereof, as the case may be, subject only to such reservations as may be contained in such assignment. From and after the receipt by the Vendee of the notification of any such assignment, all payments thereafter to be made by the Vendee under this Agreement shall, to the extent so assigned, be made to the assignee in such manner as it may direct.

The Vendee recognizes that this Agreement will be assigned to the Assignee as provided in the CSA Assignment. The Vendee expressly represents, for the purpose of assurance to any person, firm or corporation considering the acquisition of this Agreement or of all or any of the rights of the Vendor hereunder, and for the purpose of inducing such acquisition, that, subject to the provisions of the last paragraph of Article 4 hereof, the rights of the Assignee to the entire unpaid indebtedness in respect of the Purchase Price of the Equipment or such part thereof as may be assigned together with interest thereon, as well as any other rights hereunder which may be so assigned, shall not be subject to any defense, setoff, counterclaim or recoupment whatsoever arising out of any breach of any obligation of any Builder with respect to the Equipment or the manufacture, construction, delivery or warranty thereof, or with respect to any indemnity herein contained, nor subject to any defense, setoff, counterclaim or recoupment whatsoever arising by reason of any other indebtedness or liability at any time owing to the Vendee or the Lessee by any Builder. Any and all such obligations, howsoever arising, shall be and remain enforceable by the Vendee or the Lessee, as the case may be, against and only against the Builders.

ARTICLE 15. <u>Defaults.</u> In the event that any one

or more of the following events of default shall occur and be continuing, to wit:

(a) the Vendee shall fail to pay in full any sum payable by the Vendee when payment thereof shall be due hereunder (irrespective of the provisions of Article 4 or 21 hereof or any other provision of this Agreement limiting the liability of the Vendee) and such default shall continue for 15 days after the date such payment is due and payable; or

(b) the Vendee (irrespective of the provisions of Article 4 or 21 hereof or any other provision of this Agreement limiting the liability of the Vendee) or the Lessee shall, for more than 30 days after the Vendor shall have demanded in writing performance thereof, fail or refuse to comply with any other covenant, agreement, term or provision of this Agreement, or of any agreement entered into concurrently herewith relating to the financing of the Equipment, on its part to be kept and performed or to make provision satisfactory to the Vendor for such compliance; or

(c) any proceeding shall be commenced by or against the Vendee or the Lessee for any relief which includes, or might result in, any modification of the obligations of the Vendee hereunder or of the Lessee under the Lease or the Consent under any bankruptcy or insolvency laws, or laws relating to the relief of debtors, readjustment of indebtedness, reorganizations, arrangements, compositions or extensions (other than a law which does not permit any readjustment of such obligations), and, unless such proceedings shall have been dismissed, nullified, stayed or otherwise rendered ineffective (but then only so long as such stay shall continue in force or such ineffectiveness shall continue), all the obligations of the Vendee or of the Lessee under this Agreement, the Lease, the Lease Assignment, the Consent and/or the Participation Agreement, as the case may be, shall not have been and shall not continue to have been duly assumed in writing, pursuant to a court order or decree, by a trustee or trustees or receiver or receivers appointed for the Vendee or the Lessee, as the case may be, or for their respective property in connection with any such proceedings in such manner that such obligations

shall have the same status as obligations incurred by such trustee or trustees or receiver or receivers, within 60 days after such proceedings shall have been commenced; or

(d) the Vendee shall make or permit any unauthorized assignment or transfer of this Agreement or any interest herein or any unauthorized transfer of the right to possession of any unit of the Equipment and the Vendee shall, for more than 30 days after demand in writing by the Vendor, fail to secure a reassignment or retransfer to the Vendee of such Agreement, interest or right; or

(e) any Event of Default (as defined in the Lease) shall have occurred and be continuing under the Lease; provided, however, that an Event of Default under clause (A) of § 10 of the Lease shall not be deemed to be an event of default hereunder if (1) within the 15 business days' period provided by subparagraph (a) of this Article 15, the Vendee shall make payment of all amounts in default under said subparagraph (a) hereunder and (2) there is no other event of default under this Article 15;

then at any time after the occurrence of such an event of default the Vendor may, upon written notice to the Vendee and the Lessee and upon compliance with any legal requirements then in force and applicable to such action by the Vendor, (i) subject to the proviso in the second paragraph of § 4 of the Lease relating to the Lessee's rights of possession, use and assignment under § 12 of the Lease, cause the Lease immediately upon such notice to terminate (and the Vendee acknowledges the right of the Vendor to terminate the Lease), but without affecting the indemnities which by the provisions of the Lease survive its termination, provided, however, that such termination shall not be in derogation of or impair the rights of the Vendee to enforce compliance by the Lessee with any of its covenants and agreements under the Lease or to enforce any of its rights and remedies under § 10 of the Lease (subject to the Vendor's rights to repossess and sell the Equipment as provided herein), including the rights of the Vendee to sue for and recover damages provided for in § 11(a) of the Lease upon the occurrence of an Event of Default under the Lease, and/or (ii) declare (hereinafter called a "Declaration of Default") the entire unpaid CSA Indebted-

ness, together with the interest thereon then accrued and unpaid, immediately due and payable, without further demand, and thereafter the aggregate of the unpaid balance of such Indebtedness and interest shall bear interest from the date of such Declaration of Default at the rate per annum specified in Article 4 hereof as being applicable to amounts remaining unpaid after becoming due and payable, to the extent legally enforceable. Upon a Declaration of Default, subject to Article 4 hereof, the Vendor shall be entitled to recover judgment for the entire unpaid balance of the CSA Indebtedness so payable, with interest as aforesaid, and to collect such judgment out of any property of the Vendee, subject to the provisions of Article 4 hereof, wherever situated. The Vendee shall promptly notify the Vendor of any event of which it has knowledge which constitutes, or with the giving of notice and/or lapse of time could constitute, an event of default under this Agreement.

The Vendor may, at its election, waive any such event of default and its consequences and rescind and annul any Declaration of Default or notice of termination of the Lease by notice to the Vendee and the Lessee in writing to that effect, and thereupon the respective rights of the parties shall be as they would have been if no such event of default had occurred and no Declaration of Default or notice of termination of the Lease had been made or given. Notwithstanding the provisions of this paragraph, it is expressly understood and agreed by the Vendee that time is of the essence of this Agreement and that no such waiver, rescission or annulment shall extend to or affect any other or subsequent default or impair any rights or remedies consequent thereon.

ARTICLE 16. Remedies. Subject to the Lessee's rights of possession, use and assignment under §§ 4 and 12 of the Lease, at any time during the continuance of a Declaration of Default, the Vendor may, and upon such further notice, if any, as may be required for compliance with any mandatory legal requirements then in force and applicable to the action to be taken by the Vendor, take or cause to be taken, by its agent or agents, immediate possession of the Equipment, or one or more of the units thereof, without liability to return to the Vendee any sums theretofore paid and free from all claims whatsoever, except as hereinafter in this Article 16 expressly provided, and may remove the same from possession and use of

the Vendee or any other person and for such purpose may enter upon the premises of the Vendee or any other premises where the Equipment may be located and may use and employ in connection with such removal any supplies, services and aids and any available trackage and other facilities or means of the Vendee, subject to all mandatory requirements of due process of law.

In case the Vendor shall demand possession of the Equipment pursuant to this Agreement and shall designate a reasonable point or points for the delivery of the Equipment to the Vendor, the Vendee shall, at its own expense and risk:

(a) forthwith and in the usual manner (including, but not by way of limitation, causing prompt telegraphic and written notice to be given to the Association of American Railroads and all railroads to which any unit or units of the Equipment have been interchanged to return the unit or units so interchanged) cause the Equipment to be placed upon such storage tracks of the Lessee or, at the expense of the Vendee, upon any other storage tracks, as the Vendor reasonably may designate;

(b) permit the Vendor to store the Equipment on such tracks at the risk of the Vendee without charge for rent or storage until the Equipment has been sold, leased or otherwise disposed of by the Vendor; and

(c) cause the Equipment to be transported to any reasonable place on any lines of railroad or to any connecting carrier for shipment, all as directed by the Vendor.

During any storage period, the Vendee will, at its own cost and expense, insure, maintain and keep each such unit in good order and repair and will permit the inspection of the Equipment by the Vendor, the Vendor's representatives and prospective purchasers, lessees and users. This agreement to deliver the Equipment and furnish facilities as hereinbefore provided is of the essence of the agreement between the parties, and, upon application to any court of equity having jurisdiction in the premises, the Vendor shall be entitled to a decree against the Vendee requiring specific performance hereof. The Vendee hereby expressly waives any

and all claims against the Vendor and its agent or agents for damages of whatever nature in connection with any retaking of any unit of the Equipment in any reasonable manner.

At any time during the continuance of a Declaration of Default, the Vendor (after retaking possession of the Equipment as hereinbefore in this Article 16 provided) may, at its election and upon such notice as is hereinafter set forth, retain the Equipment in satisfaction of the entire CSA Indebtedness and make such disposition thereof as the Vendor shall deem fit. Written notice of the Vendor's election to retain the Equipment shall be given to the Vendee and the Lessee by telegram or registered mail, addressed as provided in Article 20 hereof, and to any other persons to whom the law may require notice, within 30 days after such Declaration of Default. In the event that the Vendor should elect to retain the Equipment and no objection is made thereto within the 30-day period described in the second proviso below, all the Vendee's rights in the Equipment shall thereupon terminate and all payments made by the Vendee or for its account may be retained by the Vendor as compensation for the use of the Equipment; provided, however, that if the Vendee, before the expiration of the 30-day period described in the proviso below, should pay or cause to be paid to the Vendor the total unpaid balance of the CSA Indebtedness, together with interest thereon accrued and unpaid and all other payments due under this Agreement, then in such event absolute right to the possession of, title to and property in the Equipment shall pass to and vest in the Vendee; provided, further, that if the Vendee, the Lessee or any other persons notified under the terms of this paragraph object in writing to the Vendor within 30 days from the receipt of notice of the Vendor's election to retain the Equipment, then the Vendor may not so retain the Equipment, but shall sell, lease or otherwise dispose of it or continue to hold it pending sale, lease or other disposition as hereinafter provided or as may otherwise be permitted by law. If the Vendor shall not have given notice to retain as hereinabove provided or notice of intention to dispose of the Equipment in any other manner, it shall be deemed to have elected to sell the Equipment in accordance with the provisions of this Article 16.

At any time during the continuance of a Declaration of Default, the Vendor, with or without retaking

possession thereof, at its election and upon reasonable notice to the Vendee, the Lessee and any other persons to whom the law may require notice of the time and place, may sell the Equipment, or one or more of the units thereof, free from any and all claims of the Vendee, the Lessee or any other party claiming from, through or under the Vendee or the Lessee, at law or in equity, at public or private sale and with or without advertisement as the Vendor may determine; provided, however, that if, prior to such sale and prior to the making of a contract for such sale, the Vendee should tender full payment of the total unpaid balance of the CSA Indebtedness, together with interest thereon accrued and unpaid and all other payments due under this Agreement as well as expenses of the Vendor in retaking possession of, removing, storing, holding and preparing the Equipment for, and otherwise arranging for, the sale and the Vendor's reasonable attorneys' fees, then upon receipt of such payment, expenses and fees by the Vendor, absolute right to the possession of, title to and property in the Equipment shall pass to and vest in the Vendee. The proceeds of such sale or other disposition, less the attorneys' fees and any other expenses incurred by the Vendor in retaking possession of, removing, storing, holding, preparing for sale and selling or otherwise disposing of the Equipment, shall be credited on the amount due to the Vendor under the provisions of this Agreement.

Any sale hereunder may be held or conducted at New York, New York, at such time or times as the Vendor may specify (unless the Vendor shall specify a different place or places, in which case the sale shall be held at such place or places as the Vendor may specify), in one lot and as an entirety or in separate lots and without the necessity of gathering at the place of sale the property to be sold, and in general in such manner as the Vendor may determine, so long as such sale shall be in a commercially reasonable manner. The Vendor, the Vendee or the Lessee may bid for and become the purchaser of the Equipment, or any unit thereof, so offered for sale. The Vendee and the Lessee shall be given written notice of such sale not less than 10 days prior thereto, by telegram or registered mail addressed as provided in Article 20 hereof. If such sale shall be a private sale (which shall be deemed to mean only a sale where an advertisement for bids has not been published in a newspaper of general circulation or a sale where less than 40 railroads have been solicited in writing to submit bids), it shall be subject to the rights of the

Lessee and the Vendee to purchase or provide a purchaser, within 10 days after notice of the proposed sale price, at the same price offered by the intending purchaser or a better price. In the event that the Vendor shall be the purchaser of the Equipment, it shall not be accountable to the Vendee or the Lessee (except to the extent of surplus money received as hereinafter provided in this Article 16), and in payment of the purchase price therefor the Vendor shall be entitled to have credited on account thereof all or any part of sums due to the Vendor hereunder.

Each and every power and remedy hereby specifically given to the Vendor shall be in addition to every other power and remedy hereby specifically given or now or hereafter existing at law or in equity, and each and every power and remedy may be exercised from time to time and simultaneously and as often and in such order as may be deemed expedient by the Vendor. All such powers and remedies shall be cumulative, and the exercise of one shall not be deemed a waiver of the right to exercise any other or others. No delay or omission of the Vendor in the exercise of any such power or remedy and no renewal or extension of any payments due hereunder shall impair any such power or remedy or shall be construed to be a waiver of any default or an acquiescence therein. Any extension of time for payment hereunder or other indulgence duly granted to the Vendee or the Lessee shall not otherwise alter or affect the Vendor's rights or the Vendee's obligations hereunder. The Vendor's acceptance of any payment after it shall have become due hereunder shall not be deemed to alter or affect the Vendee's obligations or the Vendor's rights hereunder with respect to any subsequent payments or default therein.

If, after applying all sums of money realized by the Vendor under the remedies herein provided, there shall remain any amount due to it under the provisions of this Agreement, the Vendee shall pay the amount of such deficiency to the Vendor upon demand, together with interest thereon from the date of such demand to the date of payment at the rate per annum specified in Article 4 hereof as being applicable to amounts remaining unpaid after becoming due and payable, and, if the Vendee shall fail to pay such deficiency, the Vendor may bring suit therefor and shall, subject to the limitations of the last paragraph of Article 4 hereof, be entitled to recover a judgment therefor against the Vendee. If, after applying as aforesaid all

sums realized by the Vendor, there shall remain a surplus in the possession of the Vendor, such surplus shall be paid to the Vendee.

The Vendee will pay all reasonable expenses, including attorneys' fees, incurred by the Vendor in enforcing its remedies under the terms of this Agreement. In the event that the Vendor shall bring any suit to enforce any of its rights hereunder and shall be entitled to judgment, then in such suit the Vendor may recover reasonable expenses, including reasonable attorneys' fees, and the amount thereof shall be included in such judgment.

The foregoing provisions of this Article 16 are subject in all respects to all mandatory legal requirements at the time in force and applicable thereto.

ARTICLE 17. Applicable State Laws. Any provision of this Agreement prohibited by any applicable law of any jurisdiction shall as to such jurisdiction be ineffective, without modifying the remaining provisions of this Agreement. Where, however, the conflicting provisions of any such applicable law may be waived, they are hereby waived by the Vendee to the full extent permitted by law, it being the intention of the parties hereto that this Agreement shall be deemed to be a conditional sale and enforced as such.

Except as otherwise provided in this Agreement, the Vendee, to the full extent permitted by law, hereby waives all statutory or other legal requirements for any notice of any kind, notice of intention to take possession of or to sell or lease the Equipment, or any one or more units thereof, and any other requirements as to the time, place and terms of the sale or lease thereof, any other requirements with respect to the enforcement of the Vendor's rights under this Agreement and any and all rights of redemption.

ARTICLE 18. Recording. The Vendee will cause this Agreement, any assignments hereof and any amendments or supplements hereto or thereto to be filed and recorded with the Interstate Commerce Commission pursuant to 49 U.S.C. § 11303; and the Vendee will from time to time do and perform any other act and will execute, acknowledge, deliver, file, register, deposit and record any and all further instruments required by law or reasonably requested

by the Vendor for the purpose of proper protection, to the satisfaction of counsel for the Vendor, of its interest in the Equipment and its rights under this Agreement or for the purpose of carrying out the intention of this Agreement; and the Vendee will promptly furnish or cause to be furnished to the Vendor certificates or other evidence of such filing, registering, depositing and recording satisfactory to the Vendor.

ARTICLE 19. Article Headings; Effect and Modification of Agreement. All article headings are inserted for convenience only and shall not affect any construction or interpretation of this Agreement.

Except for the Participation Agreement, this Agreement, including the Annexes hereto, exclusively and completely states the rights of the Vendor and the Vendee with respect to the Equipment and supersedes all other agreements, oral or written, with respect to the Equipment. No variation or modification of this Agreement and no waiver of any of its provisions or conditions shall be valid unless in writing and signed by duly authorized representatives of the Vendor and the Vendee.

ARTICLE 20. Notice. Any notice hereunder to any of the parties designated below shall be deemed to be properly served if delivered or mailed to it by first class mail, postage prepaid, at the following addresses

(a) to the Vendee, at One Embarcadero Center, San Francisco, California 94111, Attention of Manager, Operations Department--LEV,

(b) to the Lessee, at 2020 Dow Center, Midland, Michigan 48640, Attention of Treasurer-Dow Chemical, U.S.A.

(c) to a Builder, at its address specified in Item 1 of Annex A hereto,

(d) to any assignee of the Vendor, or of the Vendee, at such address as may have been furnished in writing to the Vendee, or the Vendor, as the case may be, and to the Lessee, by such assignee,

or at such other address as may have been furnished in writing by such party to the other parties to this Agree-

ment.

ARTICLE 21. Immunities; Satisfaction of Undertakings. No recourse shall be had in respect of any obligation due under this Agreement, or referred to herein, against any incorporator, stockholder, director or officer, as such, past, present or future, of the parties hereto, whether by virtue of any constitutional provision, statute or rule of law, or by enforcement of any assessment or penalty or otherwise, all such liability, whether at common law, in equity, by any constitutional provision, statute or otherwise, of such incorporators, stockholders, directors or officers, as such, being forever released as a condition of and as consideration for the execution of this Agreement.

The obligations of the Vendee under the second paragraph of Article 16 and under Articles 3, 6, 7 (other than the third and fifth sentences of the second paragraph thereof to the extent that certificates or payment schedules are required to be prepared and furnished therein), 8, 9, 10, 12 (other than the proviso to the last paragraph thereof), 13 and 18 hereof shall be deemed in all respects satisfied by the Lessee's undertakings contained in the Lease. The Vendee shall not have any responsibility for the Lessee's failure to perform such obligations, but if the same shall not be performed they shall constitute the basis for an event of default hereunder pursuant to Article 15 hereof. No waiver or amendment of the Lessee's undertakings under the Lease shall be effective unless joined in by the Vendor.

ARTICLE 22. Law Governing. The terms of this Agreement and all rights and obligations hereunder shall be governed by the laws of the State of New York; provided, however, that the parties shall be entitled to all rights conferred by 49 U.S.C. § 11303 and such additional rights arising out of the filing, recording or deposit hereof, if any, and of any assignment hereof as shall be conferred by the laws of the several jurisdictions in which this Agreement or any assignment hereof shall be filed, recorded or deposited.

ARTICLE 23. Execution. This Agreement may be executed in any number of counterparts, such counterparts together constituting but one and the same contract, but the counterpart delivered to the Assignee pursuant to

the CSA Assignment shall be deemed the original and all other counterparts shall be deemed duplicates thereof. Each Builder shall be bound hereunder notwithstanding the failure of any other Builder to execute and deliver this Agreement or to perform its obligations hereunder. Although for convenience this Agreement is dated as of the date first above written, the actual date or dates of execution hereof by the parties hereto is or are, respectively, the date or dates stated in the acknowledgments hereto annexed.

IN WITNESS WHEREOF, the parties hereto have executed or caused this instrument to be executed all as of the date first above written.

ACF INDUSTRIES, INCORPORATED,

by

[CORPORATE SEAL]

Vice President

Attest:

Assistant Secretary

GENERAL AMERICAN TRANSPORTATION CORPORATION,

by

[CORPORATE SEAL]

Vice President

Attest:

Secretary

RICHMOND TANK CAR COMPANY,

by

Vice President

[CORPORATE SEAL]

Attest:

Secretary

SECURITY PACIFIC EQUIPMENT
LEASING, INC.,

by

[CORPORATE SEAL]

Attest:

Secretary

STATE OF NEW YORK,)
) ss.:
COUNTY OF NEW YORK,)

On this day of 1981, before me personally appeared , to me personally known, who, being by me duly sworn, says that he is a Vice President of ACF INDUSTRIES, INCORPORATED, that one of the seals affixed to the foregoing instrument is the corporate seal of said Corporation, that said instrument was signed and sealed on behalf of said Corporation by authority of its Board of Directors and he acknowledged that the execution of the foregoing instrument was the free act and deed of said Corporation.

[Notarial Seal] _____ Notary Public

My Commission expires

STATE OF ILLINOIS,)
) ss.:
COUNTY OF COOK,)

On this day of 1981, before me personally appeared , to me personally known, who, being by me duly sworn, says that he is a Vice President of GENERAL AMERICAN TRANSPORTATION CORPORATION, that one of the seals affixed to the foregoing instrument is the corporate seal of said Corporation, that said instrument was signed and sealed on behalf of said Corporation by authority of its Board of Directors and he acknowledged that the execution of the foregoing instrument was the free act and deed of said Corporation.

[Notarial Seal] _____ Notary Public

My Commission expires

STATE OF TEXAS,)
) ss.:
COUNTY OF HARRIS,)

On this 2nd day of February 1981, before me personally appeared Jim F. Herring to me personally known, who, being by me duly sworn, says that he is a Vice President of RICHMOND TANK CAR COMPANY, that one of the seals affixed to the foregoing instrument is the corporate seal of said Corporation, that said instrument was signed and sealed on behalf of said Corporation by authority of its Board of Directors and he acknowledged that the execution of the foregoing instrument was the free act and deed of said Corporation.

Karen D. Pickett
Notary Public

[Notarial Seal]

My Commission expires

KAREN D. PICKETT
Notary Public in and for Harris County, Texas
My Commission expires June, 28 1981

STATE OF CALIFORNIA,)
) ss.:
COUNTY OF SAN FRANCISCO,)

On this day of 1981, before me personally appeared , to me personally known, who, being by me duly sworn, says that he is of SECURITY PACIFIC EQUIPMENT LEASING, INC., that one of the seals affixed to the foregoing instrument is the corporate seal of said Corporation and that said instrument was signed and sealed on behalf of said Corporation by authority of its Board of Directors and he acknowledged that the execution of the foregoing instrument was the free act and deed of said Corporation.

[Notarial Seal]

Notary Public

My Commission expires

SCHEDULE I

Allocation Schedule of Each $1,000,000
of 14% CSA Indebtedness Payable
in Installments

Payment Number	Date	Debt Service	Interest Payment	Principal Recovery	Rema Prin Bal
Interim	30 Jun 81	$ *	$ *	$ 0.00	$1,000
1	30 Dec 81	74,869.75	70,000.00	4,869.75	995
2	30 Jun 82	74,869.75	69,659.12	5,210.63	989
3	30 Dec 82	74,869.75	69,294.37	5,575.38	984
4	30 Jun 83	74,869.75	68,904.10	5,965.65	978
5	30 Dec 83	74,869.75	68,486.50	6,383.25	971
6	30 Jun 84	74,869.75	68,039.67	6,830.08	965
7	30 Dec 84	74,869.75	67,561.57	7,308.18	957
8	30 Jun 85	74,869.75	67,050.00	7,819.75	950
9	30 Dec 85	74,869.75	66,502.61	8,367.14	941
10	30 Jun 86	74,869.75	65,916.91	8,952.84	932
11	30 Dec 86	74,869.75	65,290.21	9,579.54	923
12	30 Jun 87	74,869.75	64,619.65	10,250.10	912
13	30 Dec 87	74,869.75	63,902.14	10,967.61	901
14	30 Jun 88	74,869.75	63,134.41	11,735.34	890
15	30 Dec 88	74,869.75	62,312.93	12,556.82	877
16	30 Jun 89	74,869.75	61,433.96	13,435.79	864
17	30 Dec 89	74,869.75	60,493.45	14,376.30	849
18	30 Jun 90	74,869.75	59,487.11	15,382.64	834
19	30 Dec 90	74,869.75	58,410.32	16,459.43	817
20	30 Jun 91	74,869.75	57,258.16	17,611.59	800
21	30 Dec 91	91,507.46	56,025.35	35,482.11	764
22	30 Jun 92	82,358.95	53,541.61	28,817.34	736
23	30 Dec 92	78,591.01	51,524.39	27,066.62	708
24	30 Jun 93	75,469.39	49,629.73	25,839.66	683
25	30 Dec 93	72,386.64	47,820.95	24,565.69	658
26	30 Jun 94	70,323.25	46,101.35	24,221.90	634
27	30 Dec 94	68,300.19	44,405.82	23,894.37	610
28	30 Jun 95	67,266.82	42,733.22	24,533.60	585
29	30 Dec 95	66,242.66	41,015.86	25,226.80	560
30	30 Jun 96	65,197.59	39,249.99	25,947.60	534
31	30 Dec 96	64,124.21	37,433.66	26,690.55	508
32	30 Jun 97	63,097.13	35,565.32	27,531.81	480
33	30 Dec 97	62,041.30	33,638.09	28,403.21	452
34	30 Jun 98	61,025.99	31,649.87	29,376.12	422
35	30 Dec 98	77,159.57	29,593.54	47,566.03	375
36	30 Jun 99	91,507.46	26,263.91	65,243.55	309
37	30 Dec 99	91,507.46	21,696.87	69,810.59	240
38	30 Jun 00	91,507.46	16,810.12	74,697.34	165
39	30 Dec 00	91,507.46	11,581.31	79,926.15	85
40	30 Jun 01	91,507.63	5,986.48	85,521.15	
Totals		$3,020,024.63	$2,020,024.63	$1,000,000.00	$

* Interest only on the CSA Indebtedness shall be payable to the extent accrued on this date.

Annex A

to

Conditional Sale Agreement

Item 1: (a) ACF Industries, Incorporated, 750 Third Avenue, New York, New York 10017.

(b) General American Transportation Corporation, 120 South Riverside Plaza, Chicago, Illinois 60606, attention of Law Department.

(c) Richmond Tank Car Company, 1700 West Loop South (Suite 1500), Houston, Texas 77027, Attention of Jim F. Herring, Vice President.

Item 2: Unless the parties shall otherwise agree, the Equipment shall be settled for in not more than five Groups. It is expected that Closing Dates shall occur on or about February 17, 1981, March 4, 1981, and on or about the 15th of every month thereafter (but in no event after the Final Closing Date) until such time as all of the Equipment shall have been settled for.

Item 3: Each Builder warrants that the Equipment built by it will be built in accordance with the requirements, Specifications and standards set forth in Article 2 of the CSA to which this Annex A is attached (this "Agreement") and warrants its Equipment will be free from defects in material (except as to specialties incorporated therein which were specified or supplied by the Lessee and not manufactured by such Builder) and workmanship under normal use and service. If any unit of the Equipment covered by the above warranty does not meet the above warranty, within one year after the date of the acceptance of such unit by the Vendee, such Builder shall thereupon correct such defect (including nonconformance with the requirements, Specifications and standards set forth in Article 2 of this Agreement), either by (1) repairing or replacing such defective part or parts of any unit of the Equipment, provided that the Vendor or the Lessee notifies such Builder in writing promptly after discovery of such defect, and at the expense of the Lessee, makes such defective unit or units of the Equipment promptly available at such Builder's plant for any repair, or by (2) making available at such Builder's plant

the necessary repaired or replacement parts, as appropriate and agreed to by the parties. EXCEPT FOR THE OBLIGATIONS AND LIABILITIES OF EACH BUILDER UNDER ARTICLES 2, 3, 4 AND 13 OF THE AGREEMENT, THE FOREGOING WARRANTY OF EACH BUILDER IS EXPRESSLY IN LIEU OF ALL OTHER WARRANTIES, EXPRESS OR IMPLIED, INCLUDING ANY IMPLIED WARRANTY OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE, LIABILITY FOR LOST PROFIT OR FOR INDIRECT, INCIDENTAL, CONSEQUENTIAL OR COMMERCIAL LOSSES, AND OF ALL OTHER OBLIGATIONS OR LIABILITIES, AND NO BUILDER ASSUMES OR AUTHORIZES ANY PERSON TO ASSUME FOR IT ANY OTHER LIABILITY IN CONNECTION WITH THE CONSTRUCTION AND DELIVERY OF THE EQUIPMENT EXCEPT AS AFORESAID. IT IS FURTHER UNDERSTOOD AND AGREED THAT IN NO EVENT SHALL ANY BUILDER BE LIABLE FOR INDIRECT OR CONSEQUENTIAL DAMAGES OF ANY KIND.

Each Builder further agrees that neither the inspection as provided in Article 3 of this Agreement nor any examination nor the acceptance of any units of the Equipment as provided in said Article 3 shall be deemed a waiver or a modification by the Vendee of any of its rights under this Item 3.

Item 4: Each Builder agrees to indemnify, protect and hold harmless the Vendee and the Lessee from and against any and all liability, claims, costs, charges and expenses, including royalty payments and counsel fees, in any manner imposed upon or accruing against the Vendee or the Lessee because of the use in or about the construction or operation of any of its Equipment of any design, system, process, formula, combination, article or material which infringes or is claimed to infringe on any patent or other right, except any and all liability, claims, costs, charges and expenses, including royalty payments and counsel fees, in any manner imposed upon or accruing against the Vendee or the Lessee because of the use in or about the construction or operation of any of its Equipment of any design, system, process, formula, combination specified by the Lessee and not developed or purported to be developed by such Builder or any article or material specified by

the Lessee and not manufactured by such Builder. Each Builder agrees to and hereby does, to the extent legally possible without impairing any claim, right or cause of action hereinafter referred to, assign, set over and deliver to the Lessee every claim, right and cause of action which such Builder has or hereafter shall have against the seller or sellers of any designs, systems, processes, formulae, combinations, articles or materials specified by the Lessee and purchased or otherwise acquired by such Builder for use in or about the construction or operation of any of the Equipment, on the ground that any such design, system, process, formula, combination, article or material or operation thereof infringes or is claimed to infringe on any patent or other right. Such covenants of indemnity shall continue in full force and effect notwithstanding the full payment of all sums due under this Agreement, the satisfaction and discharge of this Agreement or the termination of this Agreement in any manner.

Item 5: The Maximum Purchase Price referred to in Article 4 of the CSA to which this Annex A is attached is $10,352,794.

Item 6: The Maximum CSA Indebtedness referred to in Article 4 of the CSA to which this Annex A is attached is $7,260,000.

Annex B
to
Conditional Sale Agreement

Type	AAR Mechanical Designation	Builder's Specifications	Builder's Plant	Quantity	Lessee's Road Numbers (Both Inclusive)	Estimated Unit Base Price	Estimated Total Base Price	Estimated Time and Place of Delivery
GATX 100-ton caustic soda tank cars	DOT 111A 100W-1	15,950 gal.	Sharon, Pa.	55	DOWX 7030-7084	$54,785	$3,013,175	Sharon, Pa., February and March 1981
GATX ethanolamine tank cars	DOT 111A 100W-6	20,000 gal.	Sharon, Pa.	7	DOWX 3264-3270	124,800	873,600	Sharon, Pa., February and March 1981
GATX 100-ton ethylene oxide tank cars	DOT 105A 300-W	25,000 gal.	Sharon, Pa.	23	DOWX 8402-8424	67,900	1,561,700	Sharon, Pa., February and March 1981
ACF 100-ton CF 2980 centerflow covered hopper cars	L-151	12-01075	Huntington, W. Va.	47	DOWX 2711-2757	42,000	1,974,000	January and February 1981 FOB Huntington W.Va. with deliery to common carrier for shipment to Brady, Texas
ACF 100-ton 25,000 gal. tank cars	T-527	18-15435	Milton, Pa.	13	DOWX 8465-8477	68,548	891,124	January and February 1981 Milton, Pa.
RTCC *Muriatic acid tank cars 28,000 gal. nominal capacity	T	20.ORC-Z	Sheldon, Tex.	18	DOWX 6856-6873	58,600	1,054,800	February and March 1981 Sheldon, Tex.
				163			$9,368,399	

ANNEX C
TO
CONDITIONAL SALE
AGREEMENT

[CS&M Ref: 2044-090]

LEASE OF RAILROAD EQUIPMENT

Dated as of January 1, 1981

Between

THE DOW CHEMICAL COMPANY,
Lessee,

And

SECURITY PACIFIC EQUIPMENT LEASING, INC.,
Lessor.

The rights and interests of the Lessor under this Lease are subject to a security interest in favor of Mercantile-Safe Deposit and Trust Company, as Agent for certain institutional investors. The original of this Lease is held by said Agent.

due.

All amounts earned in respect of the Units (including, without limitation, mileage charges) during the term of this Lease shall belong to the Lessee and, if received by the Lessor, shall be promptly turned over to the Lessee so long as no Default exists hereunder.

§ 4. Term of Lease. The term of this Lease as to each Unit shall begin on the date of delivery and acceptance of such Unit hereunder and, subject to the provisions of §§ 7, 10 and 13 hereof, shall terminate on the date on which the final payment of rent in respect thereof is due pursuant to § 3 hereof. The obligations of the Lessee hereunder (including, but not limited to, the obligations under §§ 6, 7, 9 and 14 hereof) shall survive the expiration of the term of this Lease.

Notwithstanding anything to the contrary contained herein, all rights and obligations of the Lessee under this Lease and in and to the Units are subject to the rights of the Vendor under the CSA. If an event of default should occur under the CSA, the Vendor may terminate this Lease or rescind its terms, all as provided therein; provided, however, that so long as (i) no Event of Default exists hereunder, (ii) the Lessee is complying with the provisions of the Consent and (iii) the Vendor is entitled to apply the Payments (as defined in the Lease Assignment) in accordance with the Lease Assignment, this Lease may not be terminated and the Lessee shall be entitled to the rights of possession, use and assignment under § 12 hereof.

§ 5. Identification Marks. The Lessee will cause each Unit to be kept numbered with the road number set forth in Schedule A hereto, or in the case of any Unit not there listed, such road number as shall be set forth in any amendment or supplement hereto extending this Lease to cover such Unit, and will keep and maintain, plainly, distinctly, permanently and conspicuously marked on each side of each Unit, in letters not less than one-half inch in height, the words "Ownership subject to a Security Agreement Filed with the Interstate Commerce Commission" or other appropriate words designated by the Vendor, with appropriate changes thereof and additions thereto as from time to time may be required by law in order to protect the Lessor's and Vendor's title to and interest in such Unit and the rights of the Lessor under this Lease and of the

rights of the Vendor under the CSA. The Lessee will not place any such Unit in operation or exercise any control or dominion over the same until such words shall have been so marked and will replace promptly any such markings which may be removed, obliterated, defaced or destroyed. The Lessee will not change the road number of any Unit unless and until (i) a statement of new number or numbers to be substituted therefor shall have been filed with the Vendor and the Lessor and duly filed, recorded and deposited by the Lessee in all public offices where this Lease and the CSA shall have been filed, recorded and deposited and (ii) the Lessee shall have furnished the Vendor and the Lessor an opinion of counsel to such effect. The Units may be lettered with the names or initials or other insignia customarily used by the Lessee or its affiliates or any permitted sublessee; but the Lessee will not allow the name of any other person, association or corporation to be placed on any Unit as a designation that might be interpreted as a claim of ownership.

§ 6. Taxes. All payments to be made by the Lessee hereunder will be free of expense to the Lessor for collection or other charges and will be free of expense to the Lessor with respect to the amount of any local, state, Federal or foreign taxes (other than any state franchise taxes and United States Federal net income tax payable by the Lessor in consequence of the receipt of payments provided for herein and other than the aggregate of all state or local taxes measured by net income based on such receipts, except any such tax which is in substitution for or relieves the Lessee from the payment of taxes which it would otherwise be obligated to pay or reimburse as herein provided) or license fees, assessments, charges, fines or penalties (all such expenses, taxes, license fees, assessments, charges, fines and penalties being hereinafter called "Impositions") hereafter levied or imposed upon or in connection with or measured by this Lease or any sale, rental, use, payment, shipment, delivery or transfer of title under the terms hereof or the CSA, all of which Impositions the Lessee assumes and agrees to pay before they become delinquent in addition to the payments to be made by it provided for herein. The Lessee will also pay before they become delinquent all Impositions which may be imposed upon any Unit or for the use or operation thereof (except as provided above) or upon the earnings arising therefrom (except as provided above) or upon the Lessor solely by reason of its ownership thereof and will keep

at all times all and every part of such Unit free and clear of all Impositions which might in any way affect the title of the Lessor or result in a lien upon any such Unit; provided, however, that the Lessee shall not be under any obligation to pay any Impositions of any kind so long as it is contesting in good faith and by appropriate legal or administrative proceedings such Impositions and the nonpayment thereof does not, in the reasonable opinion of the Lessor, adversely affect the title, property or rights of the Lessor hereunder or the Lessor or the Vendor under the CSA. The Lessee agrees to give the Lessor notice of such contest within 30 days after institution thereof, and the Lessor agrees to provide such information as may be reasonably requested by the Lessee in furtherance of such contest. If any Impositions shall have been charged or levied against the Lessor directly and paid by the Lessor, the Lessee shall reimburse the Lessor on presentation of an invoice therefor; provided, however, that the Lessor shall have given the Lessee written notice of such Imposition prior to such payment.

In the event that the Lessor shall become obligated to make any payment pursuant to Article 6 of the CSA to any Builder or the Vendor or otherwise pursuant to any correlative provision of the CSA, the Lessee shall pay such additional amounts (which shall also be deemed Impositions hereunder) to the Lessor as will enable the Lessor to fulfill completely its obligations pursuant to said provision.

In the event any reports with regard to Impositions are required to be made, the Lessee will, where permitted so to do under applicable rules or regulations, make and timely file such reports in such manner as to show the interest of the Lessor and the Vendor as shall be reasonably satisfactory to the Lessor and the Vendor or, where not so permitted, will notify the Lessor and the Vendor of such requirement and will prepare and deliver such reports to the Lessor and the Vendor within a reasonable time prior to the time such reports are to be filed in such manner as shall be satisfactory to the Lessor and the Vendor.

In the event that, during the continuance of this Lease, the Lessee becomes liable for the payment or reimbursement of any Imposition, pursuant to this § 6, such liability shall continue, notwithstanding the expiration of

this Lease, until all such Impositions are paid or reimbursed by the Lessee.

To the extent the Lessee may be prohibited by law from performing in its own name the duties required by this § 6, the Lessor hereby authorizes the Lessee to act in the Lessor's own name and on the Lessor's behalf to perform such duties (but only with counsel reasonably satisfactory to the Lessor); provided, however, that the Lessee shall indemnify and hold the Lessor harmless from and against any and all claims, costs, expenses, damages, losses and liabilities incurred in connection therewith as a result of, or incident to, any action by the Lessee pursuant to this authorization.

The Lessee shall, whenever reasonably requested by the Lessor, submit to the Lessor copies of returns, statements, reports, billings and remittances, or furnish other evidence satisfactory to the Lessor of the Lessee's performance of its duties under this § 6. The Lessee shall also furnish promptly upon request such data as the Lessor may reasonably require to permit the Lessor's compliance with the requirements of taxing jurisdictions.

§ 7. Maintenance, Casualty Occurrences, Insurance and Termination. (a) The Lessee agrees that, at its own cost and expense, it will maintain and keep each Unit which is subject to this Lease in good operating order, repair and condition.

(b) In the event that any Unit shall be or become worn out, lost, stolen, destroyed, or irreparably damaged, from any cause whatsoever, returned to the Builder pursuant to the patent indemnity provisions of the CSA, or taken or requisitioned by condemnation or otherwise resulting in loss of possession by the Lessee for a period of 90 consecutive days, except requisition for use by the United States Government (any such occurrence being hereinafter called a "Casualty Occurrence"), prior to the return of such Unit in the manner set forth in § 14 hereof, the Lessee shall promptly and fully notify the Lessor and the Vendor with respect thereto. On the rental payment date next succeeding such notice (the "Casualty Date"), the Lessee shall pay to the Lessor an amount equal to the rental payment or payments in respect of such Unit due and payable on such date plus a sum equal to the Casualty Value (as defined in the next paragraph) of such Unit as of the

date of such payment in accordance with the schedule referred to below. Upon the making of such payment by the Lessee in respect of any Unit, the rental for such Unit shall cease to accrue, the term of this Lease as to such Unit shall terminate and (except in the case of the loss, theft, complete destruction or return to the Builder of such Unit) the Lessor shall be entitled to recover possession of such Unit. The Lessor hereby appoints the Lessee its agent to dispose of any Unit suffering a Casualty Occurrence or any component thereof, at the best price obtainable under the circumstances on an "as is, where is" basis. Provided that the Lessee has previously paid the Casualty Value to the Lessor, the Lessee shall be entitled to the proceeds of such sale (after deduction of all selling costs) to the extent they do not exceed the Casualty Value of such Unit, and shall pay any excess to the Lessor. The Lessee shall be entitled to credit against the Casualty Value payable in respect of any Unit returned to the Builder pursuant to the patent indemnity provisions of the CSA in an amount equal to any payment made by the Builder to the Lessor in respect thereof under the CSA.

The Casualty Value of each Unit as of the payment date on which payment is to be made as aforesaid shall be that percentage of the Purchase Price of such Unit as is set forth in Schedule B hereto opposite such date.

Whenever any Unit shall suffer a Casualty Occurrence after termination of this Lease and before such Unit shall have been returned in the manner provided in § 14 hereof, the Lessee shall promptly and fully notify the Lessor with respect thereto and pay to the Lessor an amount equal to the Casualty Value of such Unit, which shall be an amount equal to 55.72901% of the Purchase Price of such Unit, or, in the case of Units suffering a Casualty Occurrence after termination of a renewal term (as provided in § 13 hereof), such other percentage of the Purchase Price as shall be agreed.

(c) In the event of the requisition for use by the United States Government (the "Government") of any Unit during the term of this Lease or any renewal thereof all the Lessee's obligations under this Lease with respect to such Unit shall continue to the same extent as if such requisition had not occurred, except that if such Unit is returned by the Government at any time after the end of the term of this Lease or any renewal thereof, the Lessee shall be obligated to return such Unit to the Lessor pursuant to § 11 or 14 hereof, as the case may be, promptly upon such return by the Government rather than at the end of the term

of this Lease or any renewal thereof, but the Lessee shall in all other respects comply with the provisions of said § 11 or 14, as the case may be, with respect to such Unit. All payments received by the Lessor or the Lessee from the Government for the use of such Unit during the term of this Lease or any renewal thereof shall be paid over to, or retained by, the Lessee provided no Event of Default (or other event which after notice or lapse of time or both would become an Event of Default) shall have occurred and be continuing; and all payments received by the Lessor or the Lessee from the Government for the use of such Unit after the term of this Lease or any renewal thereof, shall be paid over to, or retained by, the Lessor.

(d) Except as hereinabove in this § 7 provided, the Lessee shall not be released from its obligations hereunder in the event of, and shall bear the risk of, any Casualty Occurrence to any Unit from and after delivery and acceptance thereof by the Lessee hereunder.

From the time any Unit is accepted by the Lessee to the end of the term of this Lease, Lessee shall:

(i) at its option, either provide insurance coverage for, or self assume, in whole or in part, the risks of actual or constructive loss or damage to one or more of the Units up to the Casualty Value thereof, and

(ii) provide adequate public liability insurance (in limits of at least $50,000,000) for personal injuries, death, or property damage resulting from the ownership, maintenance, use or operation of the Units.

Each of the insurance policies providing said coverage shall:

(i) name the Lessor and the Vendor as additional insureds as their respective interests may appear;

(ii) as between Lessee and Lessor and Vendor all such insurance shall be primary insurance and not excess over any other coverage which Lessor or Vendor, or both, may have; provided, however, that nothing herein shall be deemed to require Lessee's insurance carriers to provide coverage for, or otherwise indem-

nify Lessor or Vendor for, any losses caused respectively by Lessor's or Vendor's own actions or negligence; and

(iii) provide that the policy may not be canceled or materially altered without 30 days' prior written notice to the Lessor and the Vendor.

The Lessee shall provide the Lessor and the Vendor with a certificate or certificates evidencing the aforesaid coverage prior to the first Closing Date (as defined in the CSA).

In the event of failure on the part of the Lessee to provide and furnish any of the aforesaid insurance, the Lessor or the Vendor, upon notice to the Lessee, may, but shall not be obligated to, procure such insurance and the Lessee shall, upon demand, reimburse the Lessor and the Vendor for all expenditures made by the Lessor or the Vendor for such insurance, together with interest thereon computed at the maximum rate of interest permitted by law, but no more than 15% per annum, from the date of the Vendor's or the Assignee's payment until reimbursed by the Lessee.

(e) If the Lessor shall receive any insurance proceeds from insurance maintained by the Lessee pursuant hereto or condemnation payments in respect of a Unit suffering a Casualty Occurrence, the Lessor shall, subject to the Lessee having made payment of the Casualty Value in respect of such Unit, pay such proceeds or condemnation payments to the Lessee up to an amount equal to the Casualty Value paid by the Lessee, and any balance of such proceeds or condemnation payments shall remain the property of the Lessor. All insurance proceeds received by the Lessor in respect of any Unit not suffering a Casualty Occurrence shall be paid to the Lessee upon Lessee's notification to the Lessor that any damage to such Unit in respect of which such proceeds were paid has been fully repaired.

(f) In the event that the Lessee shall, in its reasonable judgment, determine that any Group (as hereinafter defined) of Units has become surplus to its need or obsolete in the Lessee's business, the Lessee shall have the right, at its option and on at least 90 days' prior written notice to the Lessor, to terminate (herein called

either a "Surplus Termination" or an "Obsolescence Termination" as the case may be) this Lease as to such Group as of any succeeding rent payment date specified in such notice (the "Termination Date"); provided, however, that (i) the Termination Date shall not be earlier than January 1, 1992, (ii) no Event of Default or other event which after the lapse of time or notice or both would become an Event of Default shall have occurred and be continuing and (iii) on the Termination Date each Unit in such Group shall be in the same condition as if being redelivered pursuant to § 14 hereof. For this purpose, the term "Group of Units" shall mean all Units with the same Builder's Specifications (as set forth in Schedule A hereto) subject to this Lease at the Termination Date.

During the period from the 30th day after the giving of such notice until the fifth business day preceding the Termination Date, the Lessee shall use its best efforts to obtain bids for the purchase of all Units in such Group, and the Lessee shall at least five business days prior to such Termination Date certify to the Lessor the amount of each such bid and the name and address of the party (which shall not be a corporation or individual affiliated with the Lessee or any party from whom the Lessee or any such affiliate intends thereafter to lease such Unit) submitting such bid. On the Termination Date the Lessor shall sell all Units in such Group for cash to the bidder who shall have submitted the highest bid prior to the Termination Date. The total sale price realized at each such sale shall be applied to the prepayment of the CSA Indebtedness in accordance with Article 7 of the CSA and any balance shall be retained by the Lessor.

On such Termination Date, the Lessee shall pay to the Lessor (i) the excess, if any, of the Termination Value for each such Unit computed as of such date over the sale price of such Unit after the deduction of all expenses incurred by the Lessor in connection with such sale, (ii) the rental payment due on such Termination Date and (iii) in the case of a Surplus Termination, an amount equal to the prepayment premium, if any, payable pursuant to Article 7 of the CSA on such date in respect of the CSA Indebtedness to be prepaid by the Lessor on such date. The Termination Value of each such Unit as of the payment date on which payment is to be made shall be that percentage of the Purchase Price of such Unit as is set forth in Schedule C hereto opposite such date. In no event shall the aggre-

gate amount retained by the Lessor and received by the Lessor as aforesaid be less than the Termination Value (as defined in the CSA) as of such date.

If no sale shall occur on the date scheduled therefor as provided above, this Lease shall continue in full force and effect without change unless and until the Lessee pays to the Lessor the Termination Value of each Unit subject to the Termination and returns each such Unit to the Lessor pursuant to § 14 hereof; provided, however, that this Lease shall not terminate as to any such Unit unless the CSA Indebtedness in respect of such Unit is prepaid on the Termination Date pursuant to Article 7 of the CSA.

In the event of any such sale and the receipt by the Lessor of the amounts above described, the obligation of the Lessee to pay rent pursuant to § 3 hereof in respect of such Unit on each rental payment date shall continue to and including the Termination Date but shall then terminate. The Lessor shall be under no duty to solicit bids, to inquire into the efforts of the Lessee to obtain bids or otherwise to take any action or incur any cost or expense in connection with any sale other than to transfer or to cause to be transferred all the Lessor's right, title and interest in and to such Unit to the purchaser named in the highest bid certified by the Lessee to the Lessor as above provided. Any such sale shall be free and clear of all the Lessee's rights to such Unit, but otherwise shall be made without warranties other than against the Lessor's acts.

If the Lessee shall exercise its option to terminate as to any Unit, the Lessor may, notwithstanding such election by the Lessee, by written notice to the Lessee given 90 days after the termination notice is given to the Lessor, elect to retain such Unit, in which case the Lessee shall not be obligated to pay the Termination Value to the Lessor; provided, however, that this Lease shall not terminate as to such Unit unless the CSA Indebtedness in respect of such Unit is prepaid on the Termination Date pursuant to Article 7 of the CSA. In the event the Lessor shall so elect to retain such Unit, the Lessee shall deliver such Unit to the Lessor in accordance with the provisions of § 14 hereof.

§ 8. Reports. On or before April 30 in each

year, commencing with the calendar year 1982, the Lessee will furnish to the Lessor and the Vendor an accurate statement (a) setting forth as at the preceding December 31 the amount, description and numbers of all Units then leased hereunder and covered by the CSA, the amount, description and numbers of all Units that have suffered a Casualty Occurrence during the preceding calendar year or are then undergoing repairs (other than running repairs) or then withdrawn from use pending such repairs (other than running repairs) and such other information regarding the condition and state of repair of the Units as the Lessor or the Vendor may reasonably request and (b) stating that, in the case of all Units repainted or repaired during the period covered by such statement, the numbers and markings required by § 5 hereof and by the CSA have been preserved or replaced. In furnishing the portion of any such statement referred to in (a) above, the Lessee may, to the extent reasonably appropriate, incorporate information by reference to another document; provided, however, that a copy of any incorporated document (or relevant portions thereof) shall also be furnished to the Lessor and the Vendor with any such statement. The Lessor, at its sole cost and expense, and subject to Lessee's applicable secrecy, safety and security regulations for the property involved, shall have the right by its agents, to inspect the Units and the Lessee's records with respect to matters reasonably related hereto at such reasonable times as the Lessor may request during the continuance of this Lease.

§ 9. Disclaimer of Warranties; Compliance with Laws and Rules; Indemnification. THE LESSOR MAKES NO WARRANTY OR REPRESENTATION, EITHER EXPRESS OR IMPLIED, AS TO THE DESIGN OR CONDITION OF, OR AS TO THE QUALITY OF THE MATERIAL, EQUIPMENT OR WORKMANSHIP IN, THE UNITS DELIVERED TO THE LESSEE HEREUNDER, AND THE LESSOR MAKES NO WARRANTY OF MERCHANTABILITY OR FITNESS OF THE UNITS FOR ANY PARTICULAR PURPOSE OR AS TO TITLE TO THE UNITS OR ANY COMPONENT THEREOF, OR ANY OTHER REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, WITH RESPECT TO ANY UNIT, EITHER UPON DELIVERY THEREOF TO THE LESSEE OR OTHERWISE, it being agreed that all such risks, as between the Lessor and the Lessee, are to be borne by the Lessee; but the Lessor hereby irrevocably appoints and constitutes the Lessee its agent and attorney-in-fact during the term of this Lease to assert and enforce from time to time, in the name of and for the account of the Lessor and/or the Lessee, as their interests may appear, at the Lessee's sole cost and expense, whatever claims and rights the Lessor may have against any Builder under the provisions of Items 3 and 4

of Annex A of the CSA and any proceeds received by the Lessor in respect thereof shall be immediately paid over to the Lessee; provided, however, that if at any time an Event of Default shall have occurred and be continuing, the Lessor may upon written notice to the Lessee assert and enforce, at the Lessee's sole cost and expense, such claims and rights and receive the benefits of any such proceeds. The Lessor shall have no responsibility or liability to the Lessee or any other person with respect to any of the following: (i) any liability, loss or damage caused or alleged to be caused directly or indirectly by any Units or by any inadequacy thereof or deficiency or defect therein or by any other circumstances in connection therewith; (ii) the use, operation or performance of any Units or any risks relating thereto; (iii) any interruption of service, loss of business or anticipated profits or consequential damages; or (iv) the delivery, operation, servicing, maintenance, repair, improvement or replacement of any Units. The Lessee's delivery of a Certificate of Acceptance shall be conclusive evidence as between the Lessee and the Lessor that the Units described therein are in all the foregoing respects satisfactory to the Lessee, and the Lessee will not assert any claim of any nature whatsoever against the Lessor based on any of the foregoing matters.

The Lessee shall notify Lessor of, and shall, at the Lessee's sole cost and expense, make or provide all improvements, alterations, modifications, additions, attachments, or other equipment, or changes (hereinafter collectively called "Improvements") to the Units or any of them deemed necessary or desirable by any Federal, state or local governmental body or agency or the interchange rules of the Association of American Railroads (hereinafter called "legally required Improvements"). Any legally required Improvement and any other Improvements which are not readily removable without causing material damage to a Unit (hereinafter called "nonseverable Improvements") shall be and immediately become the property of Lessor and subject to the terms of the Lease. So long as Lessee is not in default hereunder, Lessee may, upon notice to Lessor, at Lessee's sole cost and expense, make other nonseverable Improvements to a Unit, which are not legally required Improvements; provided, however, that (1) the value of the Unit is not reduced thereby, (2) such Improvements will not cause the Unit to become limited use property, or materially alter or reduce its general usefulness, (3) such Improvements will not increase the productivity or capacity of the Unit in excess of 25% and (4) the cumulative deflated cost (as defined in Rev. Proc.

79-48) of any and all such nonseverable Improvements, exclusive of any legally required Improvements involving compliance with health, safety and environmental standards, does not exceed 10% of the Lessor's cost of each Unit. So long a Lessee is not in default hereunder, Lessee may, upon notice to Lessor, at Lessee's sole cost and expense, make other readily removable Improvements to a Unit provided that such Improvements do not cause material damage to the Unit or reduce its value or general usefulness. Any such readily removable Improvements shall remain the property of Lessee and be removed by Lessee, at its expense, upon or prior to return of any Unit to the Lessor pursuant to § 11 or § 14 hereof, and if not so removed by Lessee may be removed by Lessor without liability to Lessee therefor. Any and all costs of removal and repair shall be for Lessee's account. Lessor is hereby granted a security interest in and to any such readily removable Improvements to secure all of Lessee obligations hereunder. Nothing herein shall be deemed to preclude Lessor and Lessee from negotiating the lease financing hereunder (including Improvement Financing as provided in Paragraph 2 of the Participation Agreement) for any proposed Improvements.

The Lessee agrees to indemnify, protect and hold harmless the Lessor and the Vendor from and against all losses, damages, injuries, liabilities, (including, without limitation, strict liability in tort) claims and demands whatsoever, regardless of the cause thereof, and expenses in connection therewith, including, but not limited to, counsel fees and expenses, patent liabilities, penalties and interest, arising out of or as the result of the entering into or the performance of, or the occurrence of a default, an event of default or an Event of Default under, the CSA, the Participation Agreement or this Lease, the ownership of any Unit, the ordering, acquisition, use, operation, condition, purchase, delivery, rejection, storage or return of any Unit or any accident in connection with the operation, use, condition, possession, storage or return of any Unit resulting in damage to property or injury or death to any person, except as otherwise provided in § 14 of this Lease or the transfer of title to the Equipment by the Vendor pursuant to any provision of the CSA. The indemnities arising under this paragraph shall continue in full force and effect notwithstanding the full payment of all other obligations under this Lease or the expiration or termination of the term of this Lease. To the extent the Lessee is required to provide protection or indemnification hereunder, the Lessee may select counsel (which will be reasonably acceptable to the Lessor) and direct counsel's actions in respect thereof.

The indemnities contained in this § 9 shall not extend to any loss, damage, injury, liability, claim, demand, cost, charge or expense incurred by any indemnified party (a) caused by the wilful misconduct or gross negligence of such indemnified party, (b) resulting from acts or events with respect to any Unit which commence after such Unit has been returned to the Lessor in accordance with § 14 hereof, (c) caused by the violation by such indemnified party of any banking, investment, insurance or securities law, rule or regulation applicable to it (unless such violation shall be the result of any written misrepresentation, violation or act of the Lessee), (d) arising from the breach of an express duty, obligation, representation or warranty of such indemnified party made herein or in any of the documents related to the transactions contemplated hereby, or (e) which is related to the lien, charge, security interest or other encumbrance which the Lessee is not required by § 12 hereof to discharge or in any of the other documents related to the transactions contemplated hereby to be borne by such indemnified party.

Upon request by the Lessor, the Lessee will prepare and deliver to the Lessor within a reasonable time prior to the required date of filing (or, to the extent permissible, file on behalf of the Lessor) any and all reports (other than tax returns except as required by the provisions of § 6 hereof) to be filed by the Lessor with any Federal, state or other regulatory authority by reason of the ownership by the Lessor or the Vendor of the Units or the leasing thereof to the Lessee.

§ 10. Default. If, during the continuance of this Lease, one or more of the following events (each such event being herein sometimes called an "Event of Default") shall occur:

A. default shall be made in payment of any amount provided for in § 3, 7 or 13 hereof, and such default shall continue for 10 days;

B. the Lessee shall make or permit any unauthorized assignment or transfer of this Lease, or any interest herein, or of the right to possession of the Units, or any thereof;

C. default shall be made in the observance or performance of any other of the covenants, conditions and agreements on the part of the Lessee contained

herein or in the Participation Agreement or in the Indemnity Agreement, and such default shall continue for 25 days after written notice from the Lessor or the Vendor to the Lessee specifying the default and demanding that the same be remedied;

D. any representation or warranty made by the Lessee herein or in the Participation Agreement or in the Indemnity Agreement or in any certificate or statement furnished to the Lessor pursuant to or in connection with any such agreements proves untrue in any material respect as of the date of issuance or making thereof;

E. any proceedings shall be commenced by or against the Lessee for any relief which includes, or might result in, any modification of the obligations of the Lessee under this Lease, the Participation Agreement or the Consent, under any bankruptcy or insolvency laws, or laws relating to the relief of debtors, readjustments of indebtedness, reorganizations, arrangements, compositions or extensions (other than a law which does not permit any readjustments of the obligations of the Lessee hereunder) and, unless such proceedings shall have been dismissed, nullified, stayed or otherwise rendered ineffective (but then only so long as such stay shall continue in force or such ineffectiveness shall continue), all the obligations of the Lessee under this Lease, the Participation Agreement and the Consent shall not have been and shall not continue to have been duly assumed in writing, pursuant to a court order or decree, by a trustee or trustees or receiver or receivers appointed in such proceedings in such manner that such obligations shall have the same status as obligations incurred by such a trustee or trustees or receiver or receivers, within 60 days after such proceedings shall have been commenced; or

F. an event of default set forth in Article 15 of the CSA shall have occurred as a result of any default by the Lessee in performing any of its obligations hereunder or under the Consent;

then, in any such case, the Lessor, at its option, may:

(a) proceed by appropriate court action or

actions either at law or in equity, to enforce performance by the Lessee of the applicable covenants of this Lease or to recover damages for the breach thereof; or

(b) by notice in writing to the Lessee (specifically identifying the Event of Default) terminate this Lease, whereupon all rights of the Lessee to the use of the Units shall absolutely cease and terminate as though this Lease had never been made, but the Lessee shall remain liable as herein provided; and thereupon the Lessor may by its agents enter upon the premises of the Lessee or other premises where any of the Units may be and take possession of all or any of such Units and thenceforth hold, possess, sell, operate, lease to others and enjoy the same free from any right of the Lessee, or its successors or assigns, to use the Units for any purposes whatever and without any duty to account to the Lessee for such action or inaction but applying any proceeds (net of expenses as determined by the Lessor) arising therefrom against the liabilities of the Lessee herein; but the Lessor shall, nevertheless, have a right to recover from the Lessee any and all amounts which under the terms of this Lease may be then due or which may have accrued to the date of such termination (computing the rental for any number of days less than a full rental period by multiplying the rental for such full rental period by a fraction of which the numerator is such number of days and the denominator is the total number of days in such full rental period) and also to recover forthwith from the Lessee as damages for loss of a bargain and not as a penalty, whichever of the following amounts the Lessor, in its sole discretion, shall specify: (x) a sum, with respect to each Unit, equal to the excess of the present value, at the time of such termination, of the entire unpaid balance of all rental for such Unit which would otherwise have accrued hereunder from the date of such termination to the end of the term of this Lease as to such Unit over the then present value of the rental which the Lessor reasonably estimates to be obtainable for the Unit during such period, such present value to be computed in each case on the basis of a 5% per annum discount, compounded semiannually from the respective dates upon which rentals would have been payable

hereunder had this Lease not been terminated or (y) an amount equal to the excess, if any, of the Casualty Value as of the rental payment date on or next preceding the date of termination over the amount the Lessor reasonably estimates to be the sales value of such Unit at such time; provided, however, that in the event the Lessor shall have sold any Unit, the Lessor, in lieu of collecting any amounts payable to the Lessor by the Lessee pursuant to the preceding clauses (x) and (y) of this subparagraph (b) with respect to such Unit, may, if it shall so elect, demand that the Lessee pay the Lessor and the Lessee shall pay to the Lessor on the date of such sale, as liquidated damages for loss of a bargain and not as a penalty, an amount equal to the excess, if any, of the Casualty Value for such Unit, as of the rental payment date on or next preceding the date of termination over the net proceeds of such sale.

In addition, the Lessee shall be liable, except as otherwise provided above, for any and all unpaid amounts due hereunder before, during or after the exercise of any of the foregoing remedies and for all reasonable attorneys' fees and other costs and expenses incurred by reason of the occurrence of any Event of Default or the exercise of any of the foregoing remedies and for all reasonable attorneys' fees and other costs and expenses incurred by reason of the occurrence of any Event of Default or the exercise of the Lessor's remedies with respect thereto, including all costs and expenses incurred in connection with the return of any Unit.

The remedies in this Lease provided in favor of the Lessor shall not be deemed exclusive, but shall be cumulative and may be exercised concurrently or consecutively, and shall be in addition to all other remedies in its favor existing at law or in equity. The Lessee hereby waives any mandatory requirements of law, now or hereafter in effect, which might limit or modify the remedies herein provided, to the extent that such waiver is not, at the time in question, prohibited by law. The Lessee hereby waives any and all existing or future claims to any offset against the rental payments due hereunder, and agrees to make such payments regardless of any offset or claim which may be asserted by the Lessee or on its behalf.

The failure of the Lessor to exercise the rights granted it hereunder upon the occurrence of any of the contingencies set forth herein shall not constitute a waiver of any such right upon the continuation or recurrence of any such contingencies or similar contingencies.

The Lessee agrees to furnish the Vendee and the Vendor, promptly upon any responsible officer becoming aware of any condition which constituted or constitutes an Event of Default under this Lease or which, after notice or lapse of time, or both, would constitute such an Event of Default, written notice specifying such condition and the nature and status thereof. For the purposes of this paragraph, a "responsible officer" shall mean, with respect to the subject matter of any covenant, agreement or obligation of the Lessee in this Lease contained, any corporate officer of the Lessee who, in the normal performance of his operational responsibilities, would have knowledge of such matter and the requirements of this Lease with respect thereto.

§ 11. Return of Units upon Default. If this Lease shall terminate pursuant to § 10 hereof, the Lessee shall forthwith deliver possession of the Units to the Lessor. Each Unit so delivered shall be in the same operating order, repair and condition as when originally delivered to the Lessee, reasonable wear and tear excepted, and meet the standards then in effect of the Interchange Rules of the Association of American Railroads and/or the applicable rules of any governmental agency or other organization with jurisdiction. For the purpose of delivering possession of any Unit or Units to the Lessor as above required, the Lessee shall at its own cost, expense and risk:

(a) forthwith and in the usual manner (including, but not by way of limitation, giving prompt telegraphic and written notice to the Association of American Railroads and all railroads to which any Unit or Units have been interchanged to return the Unit or Units so interchanged) place such Units upon such storage tracks of the Lessee or any of its affiliates or, at the expense of the Lessee, on any other storage tracks, as the Lessor reasonably may designate;

(b) permit the Lessor to store such Units on

such tracks at the risk of the Lessee without charge for insurance, rent or storage until such Units have been sold, leased or otherwise disposed of by the Lessor; and

(c) transport the same to any place on any lines of railroad or to any connecting carrier for shipment, all as directed by the Lessor.

The assembling, delivery, storage, insurance and transporting of the Units as hereinbefore provided shall be at the expense and risk of the Lessee and are of the essence of this Lease, and upon application to any court of equity having jurisdiction in the premises the Lessor shall be entitled to a decree against the Lessee requiring specific performance of the covenants of the Lessee so to assemble, deliver, store and transport the Units. During any storage period, the Lessee will, at its own cost and expense, insure, maintain and keep the Equipment in good order and repair and will permit the Lessor or any person designated by it, including the authorized representative or representatives of any prospective purchaser or lessee of any such Unit, to inspect the same. All amounts earned in respect of the Units after the date of termination of this Lease shall belong to the Lessor and, if received by the Lessee, shall be promptly turned over to the Lessor. In the event any Unit is not assembled, delivered and stored, as hereinabove provided, within 60 days after such termination, the Lessee shall, in addition, pay to the Lessor for each day thereafter an amount equal to the amount, if any, by which .035651% of the Purchase Price of such Unit for each such day exceeds the actual earnings received by the Lessor on such Unit for each such day.

Without in any way limiting the obligation of the Lessee under the foregoing provisions of this § 11, the Lessee hereby irrevocably appoints the Lessor as the agent and attorney of the Lessee, with full power and authority, at any time while the Lessee is obligated to deliver possession of any Unit to the Lessor, to demand and take possession of such Unit in the name and on behalf of the Lessee from whomsoever shall be in possession of such Unit at the time.

§ 12. Assignment; Possession and Use. This Lease shall be assignable in whole or in part by the

Lessor to the Vendor or, with the consent of the Investors (which consent shall not unreasonably be withheld), to other institutional investors, but the Lessee shall be under no obligation to any assignee of the Lessor except upon written notice of such assignment from the Lessor. All the rights of the Lessor hereunder (including, but not limited to, the rights under §§ 6, 7, 9 and 10 and the rights to receive the rentals payable under this Lease) shall inure to the benefit of the Lessor's assigns including the Vendor, except as may be limited in any assignment thereof.

So long as the Lessee shall not be in default under this Lease the Lessee shall be entitled to the possession and use of the Units in accordance with the terms of this Lease but, without the prior written consent of the Lessor and the Vendor, neither of which shall be unreasonably withheld, the Lessee shall not assign or transfer its leasehold interest under this Lease in the Units or any of them except, and then only so long as the Lessee shall not then be in default under this Lease (and subject to this Lease and to the rights of the Lessor hereunder, and without releasing the Lessee from its obligations hereunder), to an Affiliate, or under a written sublease to a railroad classified by the Interstate Commerce Commission as a Class I railroad or to a responsible company, as determined by the Lessee, subject in each case to the written consent of the Lessor and the Vendor, neither of which shall be unreasonably withheld; and the Lessee shall not, without such written consent, except as provided in this § 12 part with the possession of, or suffer or allow to pass out of its possession or control, any of the Units. For the purpose of this § 12, "Affiliate" shall mean any corporation which, directly or indirectly, controls or is controlled by, or is under common control with, the Lessee. For the purposes of this definition, "control (including controlled by and under common control with)", as used with respect to any corporation, shall mean the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such corporation, whether through the ownership of voting securities or by contract or otherwise. Every such sublease shall expressly subject the rights of the sublessee under such sublease to the rights of the Lessor in respect of the Units covered by such sublease

in the event of the happening of an Event of Default. The Lessee, at its own expense, will promptly pay or discharge any and all sums claimed by any party which, if unpaid, might become a lien, charge, security interest or other encumbrance (other than an encumbrance created by the Lessor or the Vendor or resulting from claims against the Lessor or the Vendor not related to the ownership of the Units) upon or with respect to any Unit or the interest of the Lessor, the Vendor or the Lessee therein, and will promptly discharge any such lien, claim, security interest or other encumbrance which arises. The Lessee shall not, without the prior written consent of the Lessor, part with the possession or control of, or suffer or allow to pass out of its possession or control, any of the Units, except to the extent permitted by the provisions of the immediately succeeding paragraph.

So long as the Lessee shall not be in default under this Lease, the Lessee shall be entitled to the possession of the Units and to the use of the Units by it or any Affiliate upon lines of railroad owned or operated by it or any such Affiliate or upon lines over which the Lessee or any such Affiliate has or obtains trackage or other operating rights or over which railroad equipment of the Lessee or any such Affiliate is regularly operated pursuant to contract, and also to permit the use of the Units upon connecting and other carriers in the usual interchange of traffic or pursuant to run-through agreements, but only upon and subject to all the terms and conditions of this Lease; provided, however, that the Lessee shall not assign or permit the assignment of any Unit to service involving the regular operation and maintenance thereof outside the United States of America. The Lessee may receive and retain compensation for such use from other railroads so using any of the Units.

Nothing in this § 12 shall be deemed to restrict the right of the Lessee to assign or transfer its leasehold interest under this Lease in the Units or possession of the Units to any corporation incorporated under the laws of any state of the United States of America or the District of Columbia (which shall have duly assumed the obligations of the Lessee hereunder and under the Participation Agreement and the Consent (as defined in the CSA)) into or with which the Lessee shall have become merged or consolidated or which shall have acquired the property of the Lessee as an entirety or substantially as an entirety,

provided that such assignee or transferee will not, upon the effectiveness of such merger, consolidation or acquisition, be in default under any provision of this Lease.

§ 13. Renewal Option and Right of First Refusal. Provided that this Lease has not been earlier terminated and the Lessee is not in default hereunder, the Lessee may by written notice delivered to the Lessor not less than 60 days prior to the end of the original term elect to extend the term of this Lease in respect of all (but not fewer than all) the Units in any Group of Units (as defined in § 7 hereof) then covered by this Lease, for one additional five-year period commencing on the scheduled expiration of the original term at a semi-annual rental of 2.916852% of the Purchase Price of each Unit then subject to this Lease, payable in semiannual payments on each semiannual anniversary of the original term.

Provided that this Lease has not been earlier terminated and the Lessee is not in default hereunder, in the event the Lessor elects to sell any Units to third parties within a period of one year after the expiration of the original or any extended term of this Lease, the Lessee shall be given 60 days' prior written notice of such intention prior to the expiration of such period. In the event that during such one-year period the Lessor shall receive a bona fide offer from another party unrelated to the Lessee to purchase the Units and the Lessor elects to sell the Units pursuant to such offer, the Lessor shall give prompt written notice to the Lessee of such offer. Such notice shall include the price and the terms and conditions of payment offered by the other party to the Lessor. The Lessee shall have the sole right and option to purchase the Units for cash at the price at which the Units are proposed to be sold or under the other terms and conditions of payment offered by the other party. The Lessee may exercise such purchase right by delivery to the Lessor of a written notice within 15 days of receipt of notice of the proposed sale from the Lessor specifying a date of purchase, which date shall not be later than 20 days after the date of delivery of such notice by the Lessee to the Lessor.

§ 14. Return of Units upon Expiration of Term. As soon as practicable but not longer than 60 days after

the expiration of the original or extended term of this Lease, the Lessee will, at its own cost and expense, at the request of the Lessor, deliver possession of each Unit to the Lessor upon such storage tracks of the Lessee (at not more than three locations) as the Lessee may designate and permit the Lessor to store such Unit on such tracks for a period not exceeding 90 days and transport the same, at any time within such 90-day period, to the nearest railroad interconnection, all as directed by the Lessor, the movement and storage of such Units to be at the expense and risk of the Lessee. During any such storage period the Lessee will, at its own cost and expense, insure, maintain and keep each Unit in good order and repair and will permit the Lessor or any person designated by it, including the authorized representative or representatives of any prospective purchaser, lessee or user of such Unit, to inspect the same; provided, however, that the Lessee shall not be liable, except in the case of negligence of the Lessee or of its employees or agents, for any injury to, or the death of, any person exercising, either on behalf of the Lessor or any prospective purchaser, lessee or user, the rights of inspection granted under this sentence. Each Unit returned to the Lessor pursuant to this § 14 shall (i) be in the same operating order, repair and condition as when originally delivered to the Lessee, reasonable wear and tear excepted, and (ii) meet the standards in effect upon the expiration of this Lease under the Interchange Rules of the Association of American Railroads and/or the applicable rules of any governmental agency or other organization with jurisdiction. The assembling, delivery, storage and transporting of the Units as hereinbefore provided are of the essence of this Lease, and upon application to any court of equity having jurisdiction in the premises, the Lessor shall be entitled to a decree against the Lessee requiring specific performance of the covenants of the Lessee so to assemble, deliver, store and transport the Units. All amounts earned in respect of the Units after the date of termination of this Lease shall belong to the Lessor and, if received by the Lessee, shall be promptly turned over to the Lessor.

§ 15. Recording. The Lessee, at its own expense, will cause this Lease, the CSA and any assignment hereof or thereof to be filed and recorded with the Interstate Commerce Commission pursuant to 49 U.S.C. § 11303. The Lessee will undertake the filing, registering, deposit, and recording required of the Lessor under the CSA and will from time to time do and perform any other act and will execute, acknowl-

edge, deliver, file, register, record (and will refile, reregister, deposit and redeposit or rerecord whenever required) any and all further instruments required by law or reasonably requested by the Lessor or the Vendor for the purpose of proper protection, to their satisfaction, of the Vendor's and the Lessor's respective interests in the Units, or for the purpose of carrying out the intention of this Lease, the CSA and the assignment thereof to the Vendor; and the Lessee will promptly furnish to the Vendor and the Lessor evidence of all such filing, registering, depositing or recording, and an opinion or opinions of counsel for the Lessee with respect thereto satisfactory to the Vendor and the Lessor. This Lease and the CSA shall be filed and recorded with the Interstate Commerce Commission prior to the delivery and acceptance hereunder of any Unit.

§ 16. Interest on Overdue Rentals. Anything to the contrary herein contained notwithstanding, any nonpayment of rentals and other obligations due hereunder shall result in the obligation on the part of the Lessee promptly to pay, to the extent legally enforceable, an amount equal to the greater of (a) 15% per annum or (b) the rate per annum equal to the fluctuating base rate charged by The Security Pacific Bank for 90-day loans to substantial and responsible commercial borrowers as such base rate shall change from time to time, each change in such rate to become effective on the effective date of each change in such base rate as announced by such Bank, on the overdue rentals and other obligations for the period of time during which they are overdue or such lesser amount as may be legally enforceable.

§ 17. Notices. Any notice required or permitted to be given by either party hereto to the other shall be in writing and effective upon delivery, addressed as follows:

(a) if to the Lessor, at One Embarcadero Center, San Francisco, California 94111, Attention of Manager, Operations Department--LEV;

(b) if to the Lessee, at 2020 Dow Center, Midland, Michigan 48640, Attention of Treasurer-Dow Chemical, U.S.A.;

or addressed to either party at such other address as such party shall hereafter furnish to the other party in writing. Copies of each such notice shall be given to the Vendor at Two Hopkins Plaza, Baltimore, Maryland 21203, attention of

Corporate Trust Department.

§ 18. Severability; Effect and Modification of Lease. Any provision of this Lease which is prohibited or unenforceable in any jurisdiction, shall be, as to such jurisdiction, ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

Except for the Participation Agreement and the Indemnity Agreement, this Lease exclusively and completely states the rights and obligations of the Lessor and the Lessee with respect to the leasing of the Units and supersedes all other agreements, oral or written, with respect thereto. No variation or modification of this Lease and no waiver of any of its provisions or conditions shall be valid unless in writing and signed by duly authorized signatories for the Lessor and the Lessee.

§ 19. Execution. This Lease may be executed in several counterparts, such counterparts together constituting but one and the same instrument, but the counterpart delivered to the Vendor pursuant to the Lease Assignment shall be deemed to be the original, and all other counterparts shall be deemed duplicates thereof. Although for convenience this Lease is dated as of the date first set forth above, the actual date or dates of execution hereof by the parties hereto is or are, respectively, the date or dates stated in the acknowledgments hereto annexed.

§ 20. Law Governing. The terms of this Lease and all rights and obligations hereunder shall be governed by the laws of the State of Michigan; provided, however, that the parties shall be entitled to all rights conferred by 49 U.S.C. § 11303.

§ 21. No Guarantee of CSA Indebtedness or Residual Value. Nothing in this Agreement is intended or shall be construed to constitute a guarantee by the Lessee of the CSA Indebtedness of the Vendee under the CSA or a guarantee of the residual value of any Unit.

IN WITNESS WHEREOF, the parties hereto have executed or caused this instrument to be executed as of the

date first above written.

THE DOW CHEMICAL COMPANY,

by

_____

[Corporate Seal]

Attest:

_____
Assistant Secretary

SECURITY PACIFIC EQUIPMENT
LEASING, INC.,

by

_____

[Corporate Seal]

Attest:

_____
Secretary

STATE OF MICHIGAN,)
) ss.:
COUNTY OF MIDLAND,)

On this day of 1981 before me personally appeared , to me personally known, who, being by me duly sworn, says that he is the Vice President of THE DOW CHEMICAL COMPANY, that one of the seals affixed to the foregoing instrument is the corporate seal of said Corporation, that said instrument was signed and sealed on behalf of said Corporation by authority of its Board of Directors, and he acknowledged that the execution of the foregoing instrument was the free act and deed of said Corporation.

Notary Public

[Notarial Seal]

My Commission expires

STATE OF ,)
) ss.:
COUNTY OF ,)

On this day of 1981 before me personally appeared , to me personally known, who, being by me duly sworn, says that he is of SECURITY PACIFIC EQUIPMENT LEASING, INC., that one of the seals affixed to the foregoing instrument is the corporate seal of said Corporation and that said instrument was signed and sealed on behalf of said Corporation by authority of its Board of Directors and he acknowledged that the execution of the foregoing instrument was the free act and deed of said Corporation.

Notary Public

[Notarial Seal]

My Commission expires

SCHEDULE A TO LEASE

Specifications of the Equipment

Type	Builder	Quantity	Lessee's Identification Numbers (Both Inclusive)
100 ton CF 2980 Center-flow covered hopper cars	ACF Industries, Inc.	47	DOWX 2711-2757
100 ton 25,000 gal. tank cars	ACF Industries, Inc.	13	DOWX 8465-8477
15,950 gal. caustic soda tank cars	General American Transportation Corporation	55	DOWX 7030-7084
20,000 gal. ethanolamine tank cars	General American Transportation Corporation	7	DOWX 3264-3270
25,200 gal. ethylene oxide tank cars	General American Transportation Corporation	23	DOWX 8402-8424
28,800 gal. Muriatick Acid tank cars	Richmond Tank Car Company	18	DOWX 6856-6873

SCHEDULE B TO LEASE

Casualty Values

Payment Date	Percentage
1/1/82	112.22347
7/1/82	111.83654
1/1/83	115.43458
7/1/83	115.01005
1/1/84	117.89247
7/1/84	117.42183
1/1/85	119.64282
7/1/85	119.11399
1/1/86	120.72353
7/1/86	120.12580
1/1/87	121.17613
7/1/87	120.50116
1/1/88	121.04705
7/1/88	120.28919
1/1/89	120.38826
7/1/89	119.54488
1/1/90	119.25794
7/1/90	118.32980
1/1/91	117.72127
7/1/91	116.72379
1/1/92	114.70969
7/1/92	112.43050
1/1/93	110.13967
7/1/93	107.70203
1/1/94	105.19745
7/1/94	102.59357

Casualty Values

Payment Date	Percentage
1/1/95	99.90553
7/1/95	97.12444
1/1/96	94.24390
7/1/96	91.27059
1/1/97	88.18729
7/1/97	85.00653
1/1/98	81.70704
7/1/98	78.30236
1/1/99	74.76987
7/1/99	71.12396
1/1/2000	67.37684
7/1/2000	63.56617
1/1/01	59.67529
7/1/01	55.72901

SCHEDULE C TO LEASE

Termination Values

Payment Date	Percentage Surplus	Percentage Obsolete
1/1/1992	114.74740	114.70969
7/1/1992	112.46488	112.43050
1/1/1993	110.17094	110.13967
7/1/1993	107.73039	107.70203
1/1/1994	105.22308	105.19745
7/1/1994	102.61661	102.59357
1/1/1995	99.92612	99.90553
7/1/1995	97.14268	97.12444
1/1/1996	94.25990	94.24390
7/1/1996	91.28447	91.27059
1/1/1997	88.19915	88.18729
7/1/1997	85.01650	85.00653
1/1/1998	81.71525	81.70704
7/1/1998	78.30894	78.30236
1/1/1999	74.77474	74.76987
7/1/1999	71.12718	71.12396
1/1/2000	67.37871	67.37684
7/1/2000	63.56703	63.56617
1/1/2001	59.67551	59.67529
7/1/2001	55.72901	55.72901

ANNEX D
to
Conditional Sale Agreement

ASSIGNMENT OF LEASE AND AGREEMENT dated as of January 1, 1981 (this "Assignment"), by and between SECURITY PACIFIC EQUIPMENT LEASING, INC. (the "Lessor" or the "Vendee"), and MERCANTILE-SAFE DEPOSIT AND TRUST COMPANY, as Agent (together with its successors and assigns the "Vendor") under a Participation Agreement dated as of the date hereof.

The Vendee is entering into a Conditional Sale Agreement dated as of the date hereof (the "CSA") with ACF Industries, Incorporated, General American Transportation Corporation and Richmond Tank Car Company (the "Builders"), providing for the sale to the Vendee of such units of railroad equipment (the "Units") described in the Annex thereto as are delivered to and accepted by the Vendee thereunder.

The Lessor and The Dow Chemical Company ("the Lessee") have entered into a Lease of Railroad Equipment dated as of the date hereof (the "Lease"), providing for the leasing of the Units to the Lessee by the Lessor.

In order to provide security for the obligations of the Lessor under the CSA and as an inducement to the Vendor to invest in the CSA Indebtedness (as defined in Article 4 of the CSA), the Lessor agrees to assign to the Vendor for security purposes the Lessor's rights in, to and under the Lease.

NOW, THEREFORE, in consideration of the premises and of the payments to be made and the covenants hereinafter mentioned to be kept and performed, the parties hereto agree as follows:

1. The Lessor hereby assigns, transfers and sets over unto the Vendor, as collateral security for the payment and performance of the obligations of the Lessor as Vendee under the CSA, all the Lessor's right, title and interest, powers, privileges, and other benefits under the Lease (except any amounts of indemnity payable to the Lessor pursuant to § 6 or 9 of the Lease or the Indemnity

Agreement dated as of the date hereof between the Lessee and Lessor), including, without limitation, the immediate right to receive and collect all rentals, profits and other sums payable to or receivable by the Lessor from the Lessee under or pursuant to the provisions of the Lease whether as rent, casualty or termination payment, indemnity, liquidated damages, or otherwise (such moneys being hereinafter called the "Payments"), and the right to make all waivers and agreements, to give all notices, consents and releases, to take all action upon the happening of an Event of Default specified in the Lease, and to do any and all other things whatsoever which the Lessor is or may become entitled to do under the Lease. In furtherance of the foregoing assignment, the Lessor hereby irrevocably authorizes and empowers the Vendor in its own name, or in the name of its nominee, or in the name of the Lessor or as its attorney, to ask, demand, sue for, collect and receive any and all Payments to which the Lessor is or may become entitled under the Lease, and to enforce compliance by the Lessee with all the terms and provisions thereof.

The Vendor agrees to accept any Payments made by the Lessee for the account of the Lessor pursuant to the Lease; and to the extent received, the Vendor will apply such Payments to satisfy the obligations of the Lessor under the CSA, and, so long as no event of default shall have occurred and be continuing under the CSA, any balance shall be paid to the Lessor on the same date such Payment is applied to satisfy such obligations of the Lessor by check mailed to the Lessor on such date or, upon written request of the Lessor, by bank wire to the Lessor at such address as may be specified to the Vendor in writing, and such balance shall be retained by the Lessor; provided, however, that, unless and until the Vendor shall otherwise direct the Lessee in writing pursuant to Paragraph (1) of the attached Consent and Agreement, the Lessee may pay directly to the Lessor that portion of the Payments not required from time to time to satisfy the obligations of the Lessor under the CSA. If the Vendor shall not receive any rental payment under the first paragraph of § 3 of the Lease or any payment under § 7 of the Lease when due, the Vendor shall forthwith notify the Lessor by telephone (confirmed in writing) or telegraph at the address set forth in the Lease; provided, however, that the failure of the Vendor so to notify the Lessor shall not affect the obligations of the Lessor hereunder or under the CSA.

2. This Assignment is executed only as security and, therefore, the execution and delivery of this Assignment shall not subject the Vendor to, or transfer, or pass, or in any way affect or modify the liability of the Lessor under the Lease, it being understood and agreed that notwithstanding this Assignment or any subsequent assignment, all obligations of the Lessor to the Lessee shall be and remain enforceable by the Lessee, its successors and assigns, against, and only against, the Lessor or persons other than the Vendor.

3. The Lessor will faithfully abide by, perform and discharge each and every obligation, covenant and agreement which the Lease provides is to be performed by the Lessor; without the written consent of the Vendor, the Lessor will not anticipate the rents under the Lease or waive, excuse, condone, forgive or in any manner release or discharge the Lessee thereunder of or from the obligations, covenants, conditions and agreements to be performed by the Lessee, including, without limitation, the obligation to pay the rents in the manner and at the time and place specified therein or enter into any agreement amending, modifying or terminating the Lease, and the Lessor agrees that any amendment modification or termination thereof without consent shall be void.

4. The Lessor does hereby constitute the Vendor the Lessor's true and lawful attorney, irrevocably, with full power (in the name of the Lessor, or otherwise) to ask, require, demand, receive and give acquittance for any and all Payments due and to become due under or arising out of the Lease to which the Lessor is or may become entitled, to enforce compliance by the Lessee with all the terms and provisions of the Lease, to endorse any checks or other instruments or orders in connection therewith and to file any claims or take any action or institute any proceedings which to the Vendor may seem to be necessary or advisable in the premises.

5. Upon the full discharge and satisfaction of all sums due from the Lessor under the CSA, this Assignment and all rights herein assigned to the Vendor shall terminate, and all estate, right, title and interest of the Vendor in and to the Lease shall revert to the Lessor.

6. The Lessor will pay and discharge any and

all taxes, claims, liens, charges or security interests (other than created by the CSA) on the Lease or the rentals or other payments due or to become due thereunder claimed by any party from, through or under the Lessor, or its successors and assigns (other than the Vendor), not arising out of the transactions contemplated by the CSA or the Lease (but including income taxes arising out of rentals and any other payments under the Lease and any other proceeds of the Equipment) which, if unpaid, might become a claim, lien, charge or security interest on or with respect to the Lease or such rentals, other payments or proceeds, unless the Lessor shall be contesting the same in good faith by appropriate proceedings in any reasonable manner and the nonpayment thereof does not, in the reasonable opinion of the Vendor, adversely affect such interests of the Vendor.

7. The Lessor will, from time to time, execute, acknowledge and deliver any and all further instruments required by law as reasonably requested by the Vendor in order to confirm or further assure the interest of the Vendor hereunder.

8. The Vendor may assign all or any of the rights assigned to it hereby or arising under the Lease, including, without limitation, the right to receive any Payments due or to become due. In the event of any such assignment, any such subsequent or successive assignee or assignees shall, to the extent of such assignment, enjoy all the rights and privileges and be subject to all the obligations of the Vendor hereunder.

9. This Assignment shall be governed by the laws of the State of New York, but the parties shall be entitled to all rights conferred by 49 U.S.C. § 11303.

10. The Lessor shall cause copies of all notices received in connection with the Lease and all payments hereunder to be promptly delivered or made to the Vendor at Two Hopkins Plaza, Baltimore, Maryland 21203, Attention of Corporate Trust Department, or such other address as the Vendor shall designate.

11. The Vendor hereby agrees with the Lessor that the Vendor will not, so long as no Event of Default under the Lease or event of default under the CSA has occurred and is continuing, exercise or enforce, or

seek to exercise or enforce, or avail itself of, any of the rights, powers, privileges, authorizations or benefits which are assigned and transferred by the Lessor to the Vendor by this Assignment, except the right to receive and apply the Payments as provided in Paragraph 1 hereof, and that, subject to the terms of the Lease and the CSA, the Lessor may, so long as no such event of default under the CSA has occurred and is then continuing, exercise or enforce, or seek to exercise or enforce, its rights, powers, privileges and remedies arising out of subparagraph (a) of the first paragraph of § 10 of the Lease; provided, however, that the Lessor shall not, without the prior written consent of the Vendor, terminate the Lease or otherwise exercise or enforce, or seek to exercise or enforce, any rights, powers, privileges and remedies arising out of subparagraph (b) of said § 10.

12. This Assignment may be executed in any number of counterparts, all of which together shall constitute a single instrument, but the counterpart delivered to the Vendor shall be deemed to be the original and all others shall be deemed to be duplicates thereof. It shall not be necessary that any counterpart be signed by both parties so long as each party shall sign at least one counterpart.

IN WITNESS WHEREOF, the parties hereto have caused this instrument to be executed in their respective corporate names by officers thereunto duly authorized, and their respective corporate seals to be affixed and duly attested, all as of the date first above written.

SECURITY PACIFIC EQUIPMENT
LEASING, INC.,

by

_____

[Corporate Seal]

Attest:

_____
Assistant Secretary

MERCANTILE-SAFE DEPOSIT & TRUST COMPANY,

by

_____
Assistant Vice President

[Corporate Seal]

Attest:

_____
Corporate Trust Officer

STATE OF CALIFORNIA,)
) ss.:
COUNTY OF SAN FRANCISCO,)

On this day of 1981, before me personally appeared ,
to me personally known, who being by me duly sworn, says that he is Executive Vice President of SECURITY PACIFIC EQUIPMENT LEASING, INC., that one of the seals affixed to the foregoing instrument is the corporate seal of said corporation and that said instrument was signed and sealed on behalf of said corporation by authority of its Board of Directors, and he acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.

Notary Public

[Notarial Seal]

My Commission expires

STATE OF MARYLAND,)
) ss.:
CITY OF BALTIMORE,)

On this day of 1981, before me personally appeared ,
to me personally known, who being by me duly sworn, say that he is an Assistant Vice President of MERCANTILE-SAFE DEPOSIT AND TRUST COMPANY, that one of the seals affixed to the foregoing instrument is the corporate seal of said corporation and that said instrument was signed and sealed on behalf of said corporation by authority of its Board of Directors, and they acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.

Notary Public

[Notarial Seal]

My Commission expires

CONSENT AND AGREEMENT

The undersigned, THE DOW CHEMICAL COMPANY, a Delaware corporation (the "Lessee"), the Lessee named in the Lease (the "Lease") referred to in the foregoing Assignment of Lease and Agreement (the "Lease Assignment"), hereby (a) acknowledges receipt of a copy of the Lease Assignment and (b) consents to all the terms and conditions of the Lease Assignment and agrees that:

(1) it will pay all rentals, casualty and termination payments, liquidated damages, indemnities and other moneys provided for in the Lease (which moneys, other than amounts that are not assigned under the Lease Assignment, are hereinafter called the "Payments") due and to become due under the Lease or otherwise in respect of the Units leased thereunder, to the extent such Payments are required to satisfy the obligations of the Lessor under the CSA (as defined in the Lease), by transfer of immediately available funds directly to Mercantile-Safe Deposit and Trust Company, as Agent (the "Vendor"), the assignee named in the Lease Assignment by 11:00 a.m. Baltimore time, on the date such payment is due, by bank wire transfer of immediately available funds to The Annapoolis Banking and Trust Company, Main Street and Church Circle, Annapolis, Maryland, for credit to the Agent's Account No. 52076-1, with a request that The Annapolis Banking and Trust Company advise Mrs. K. M. Tollberg, Assistant Vice President, Mercantile-Safe Deposit and Trust Company, Baltimore, Maryland, that the funds are "RE: DOW 1/1/81" (or at such other address as may be furnished in writing to the Lessee by the Vendor); any balance shall be paid by the Lessee to the Lessor (by check at its address set forth in § 17 of the Lease, or at such other place and in such other manner as the Lessor may indicate to the Lessee in writing) unless and until the Vendor shall otherwise direct the Lessee in writing;

(2) the Vendor shall be entitled to the benefits of, and to receive and enforce performance of, all the covenants to be performed by the Lessee under the Lease as though the Vendor were named therein as the Lessor;

(3) the Vendor shall not, by virtue of the Lease Assignment or this Consent and Agreement, be or become subject to any liability or obligation under the Lease or otherwise; and

(4) the Lease shall not, without the prior written consent of the Vendor, be terminated or modified, nor shall any action be taken or omitted by the Lessee the taking or omission of which might result in an alteration or impairment of the Lease or the Lease Assignment or this Consent and Agreement or of any of the rights created by any thereof.

This Consent and Agreement, when accepted by the Vendor by signing the Acceptance at the foot hereof, shall be deemed to be a contract under the laws of Michigan and, for all purposes, shall be construed in accordance with the laws of said State.

THE DOW CHEMICAL COMPANY,

by

_____

[Corporate Seal]

Attest:

_____
Assistant Secretary

The foregoing Consent and Agreement is hereby accepted, as of the 1st day of January 1981.

MERCANTILE-SAFE DEPOSIT AND TRUST COMPANY, as Agent,

by

_____
Assistant Vice President

[CS&M Ref: 2044-090]

CONDITIONAL SALE AGREEMENT

Dated as of January 1, 1981

between

SECURITY PACIFIC EQUIPMENT LEASING, INC.,
Vendee,

and each of

ACF INDUSTRIES, INCORPORATED,

GENERAL AMERICAN TRANSPORTATION CORPORATION

and

RICHMOND TANK CAR COMPANY

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by which (x) the remainder of the Purchase Price of all units of the Equipment covered by this Agreement for which settlement has theretofore and is then being made, as set forth in the Invoice or Invoices therefor exceeds (y) the Maximum CSA Indebtedness specified in Item 6 of Annex A and any amount or amounts previously paid or payable with respect to the Purchase Prices pursuant to this Clause (ii); and

(b) in 40 semiannual installments, as hereinafter provided, an amount equal to the balance of the Purchase Price (including the Lining Costs) specified in subparagraph (a) of this paragraph.

The portion of the Purchase Price payable pursuant to subparagraph (b) of the preceding paragraph (herein called the "CSA Indebtedness") shall be payable in 40 consecutive semiannual installments commencing December 30, 1981, to and including June 30, 2001 (or if any such date is not a business day, on the next succeeding business day), each such date being hereinafter called a Payment Date. The unpaid balance of the CSA Indebtedness shall bear interest from the Closing Date in respect of which such indebtedness was incurred at the rate of 14% per annum. Such interest shall be payable, to the extent accrued, on June 30, 1981, and on each Payment Date thereafter. The installments of principal payable on each Payment Date shall be calculated so that the amount and allocation of principal and interest payable on each Payment Date shall be substantially in proportion to the amount and allocation of principal and interest on such Payment Date set forth in Schedule I hereto, and such installments of principal will completely amortize the CSA Indebtedness. The Vendee will furnish to the Vendor and the Lessee promptly after last Closing Date a schedule, in such number of counterparts as shall be requested by the Vendor, showing the respective amounts of principal and interest payable on each Payment Date.

Interest under this Agreement shall be determined on the basis of a 360-day year of 12 30-day months, except that the interest due on June 30, 1981, and interest due pursuant to the next succeeding paragraph shall be determined on an actual elapsed day, 365-day year basis.

The Vendee will pay, to the extent legally enforceable, interest upon all amounts remaining unpaid

after the same shall have become due and payable pursuant to the terms hereof at the rate of 15% per annum.

All payments provided for in this Agreement shall be made in such coin or currency of the United States of America as at the time of payment shall be legal tender for the payment of public and private debts. Except as provided in this Article 4 and Article 7 hereof, the Vendee shall not have the privilege of prepaying any portion of the CSA Indebtedness prior to the date it becomes due.

The obligation of the Vendee to pay to the Vendor the amount required to be paid pursuant to subparagraph (a) of the third paragraph of this Article 4 with respect to any Group shall be subject to the receipt by the Vendee of copies of the documents required to be furnished by the relevant Builder pursuant to Section 4 of the CSA Assignment in respect of such Group.

Notwithstanding any other provision of this Agreement (including, but not limited to, any provision of Articles 15 and 16 hereof) but not limiting the effect of Article 21 hereof, it is understood and agreed by the Vendor that the liability of the Vendee or any assignee of the Vendee for all payments to be made by it under and pursuant to this Agreement or the performance of its obligations hereunder and excluding only the obligations set forth in the proviso in the third paragraph of Article 12 hereof, the payments to be made pursuant to subparagraph (a) of the third paragraph of this Article and the interest payable on the CSA Indebtedness due June 30, 1981, pursuant to the fourth paragraph of this Article 4, shall not exceed an amount equal to, and shall be payable only out of, the "income and proceeds from the Equipment". As used herein the term "income and proceeds from the Equipment" shall mean (i) if one of the events of default specified in Article 15 hereof shall have occurred and while it shall be continuing, so much of the following amounts as are indefeasibly received by the Vendee or any assignee of the Vendee at any time after any such event and during the continuance thereof: (a) all amounts of rental and amounts in respect of Casualty Occurrences or Terminations (as defined in Article 7 hereof) paid for or with respect to the Equipment pursuant to the Lease and any and all other payments received under § 10 or any other provision of the Lease (other than indemnity payments paid or payable under § 9 of the Lease and taxes and indemnities paid or payable to the Vendee under § 6 of the Lease) and (b) any and all

payments or proceeds received for or with respect to the Equipment as the result of the sale, lease or other disposition thereof, after deducting all costs and expenses of such sale, lease or other disposition, and (ii) at any other time, only that portion of the amounts referred to in the foregoing clauses (a) and (b) as are indefeasibly received by the Vendee or any assignee of the Vendee and as shall equal the portion of the CSA Indebtedness (including prepayments thereof required in respect of Casualty Occurrences or Terminations) and/or interest thereon due and payable on the date such amounts were required to be paid pursuant to the Lease or as shall equal any other payments then due and payable under this Agreement; it being understood that (1) "income and proceeds from the Equipment" shall in no event include amounts referred to in the foregoing clauses (a) and (b) received by the Vendee or any assignee of the Vendee prior to the existence of such an event of default which exceeded the amounts required to discharge that portion of the CSA Indebtedness (including prepayments thereof required in respect of Casualty Occurrences or Voluntary Terminations) and/or interest thereon due and payable on the date on which amounts with respect thereto received by the Vendee or any assignee of the Vendee were required to be paid to it pursuant to the Lease or which exceeded any other payments due and payable under this Agreement at the time such amounts were payable under the Lease, (2) "income and proceeds from the Equipment" shall also mean and include the amounts to be paid by the Vendee pursuant to Paragraph 17 of the Participation Agreement and (3) "income and proceeds from the Equipment" shall in no event include the amounts paid pursuant to § 3 of the Lease on any rental payment date if, but only if, the Vendee has made the payment of CSA Indebtedness and interest due on the immediately preceding December 30 or June 30, as the case may be, pursuant to this Article 4. Notwithstanding anything to the contrary contained in Article 15 or 16 hereof, the Vendor agrees that in the event it shall obtain a judgment against the Vendee for an amount in excess of the amounts payable by the Vendee pursuant to the limitations set forth in this paragraph, it will limit its execution of such judgment to amounts payable pursuant to the limitations set forth in this paragraph. Nothing contained herein limiting the liability of the Vendee shall derogate from the right of the Vendor to proceed against the Equipment for the full unpaid Purchase Price of the Equipment and interest thereon and all other payments and obligations hereunder.

ARTICLE 5. Security Interest in the Equipment. The Vendor shall and hereby does retain a security interest in the Equipment until the Vendee shall have made all its payments under this Agreement and shall have kept and performed all its agreements herein contained, notwithstanding any provision of this Agreement limiting the liability of the Vendee and notwithstanding the delivery of the Equipment to and the possession and use thereof by the Vendee and the Lessee as provided in this Agreement and the Lease.

Except as otherwise specifically provided in Article 7 hereof, when and only when the Vendor shall have been paid the full indebtedness in respect of the Purchase Price of the Equipment, together with interest and all other payments as herein provided, absolute right to the possession of, title to and property in the Equipment shall pass to and vest in the Vendee without further transfer or action on the part of the Vendor. Upon the payment in full of the indebtedness, interest and other payments referred to in the immediately preceding sentence, the Vendor shall, if so requested by the Vendee, (a) execute a bill or bills of sale for the Equipment releasing its security interest therein to the Vendee or upon its order, free of all liens, security interests and other encumbrances created or retained hereby and deliver such bill or bills of sale to the Vendee at its address referred to in Article 20 hereof, (b) execute and deliver at the same place, for filing, recording or depositing in all necessary public offices, such instrument or instruments in writing as may be necessary or appropriate in order then to make clear upon the public records the title of the Vendee to the Equipment and (c) pay to the Vendee any money paid to the Vendor pursuant to Article 7 hereof and not theretofore applied as therein provided. The Vendee hereby waives and releases any and all rights, existing or that may be acquired, in or to the payment of any penalty, forfeit or damages for failure to execute and deliver such bill or bills of sale or instrument or instruments or to file any certificate of payment in compliance with any law or statute requiring the filing of the same, except for failure to execute and deliver such bill or bills of sale or instrument or instruments or to file such certificate within a reasonable time after written demand by the Vendee.

ARTICLE 6. Taxes. All payments to be made by the Vendee hereunder will be free of expense to the Vendor

for collection or other charges and will be free of expense to the Vendor with respect to the amount of any local, state, Federal or foreign taxes (other than gross receipts taxes [except gross receipt taxes in the nature of or in lieu of sales or use or rental taxes], franchise taxes, taxes measured by net income, excess profits taxes and similar taxes) or license fees, assessments, charges, fines or penalties hereafter levied or imposed upon or in connection with or measured by this Agreement or any sale, rental, use, payment, shipment, delivery or transfer of title under the terms hereof (all such expenses, taxes, license fees, assessments, charges, fines and penalties being hereinafter called "impositions"), all of which impositions the Vendee assumes and agrees to pay on demand in addition to the Purchase Price of the Equipment. The Vendee will also pay promptly all impositions which may be imposed upon the Equipment delivered to it or for the use or operation thereof or upon the earnings arising therefrom (except as provided above) or upon the Vendor solely by reason of its ownership thereof (except as provided above) and will keep at all times all and every part of the Equipment free and clear of all impositions which might in any way affect the security interest of the Vendor or result in a lien upon any part of the Equipment; provided, however, that the Vendee shall be under no obligation to pay any impositions of any kind so long as it is contesting in good faith and by appropriate legal or administrative proceedings such impositions and the nonpayment thereof does not, in the reasonable opinion of the Vendor, adversely affect the security interest or property or rights of the Vendor in or to the Equipment or otherwise under this Agreement. If any impositions shall have been charged or levied against the Vendor directly and paid by the Vendor, the Vendee shall reimburse the Vendor upon presentation of an invoice therefor, and any amounts so paid by the Vendor shall be secured by and under this Agreement; provided, however, that the Vendee shall not be obligated to reimburse the Vendor for any impositions so paid unless the Vendor shall have been legally liable with respect thereto (as evidenced by an opinion of counsel for the Vendor) or unless the Vendee shall have approved in writing the payment thereof.

ARTICLE 7. Maintenance, Termination and Casualty Occurrences. The Vendee shall, at its own cost and expense, maintain and keep each unit of the Equipment in good operating order, repair and condition.

In the event that the Lease is terminated voluntarily pursuant to § 7 of the Lease as to any Unit (hereinafter called a "Termination") or any unit of the Equipment shall be or become worn out, lost, stolen, destroyed, or, in the opinion of the Vendee or the Lessee, irreparably damaged, from any cause whatsoever, or any unit shall be taken or requisitioned by condemnation or otherwise resulting in loss of possession by the Lessee for a period of 90 consecutive days, except requisition for use by the United States Government (any such occurrence being herein called a "Casualty Occurrence"), the Vendee shall, promptly after it shall have received notice from the Lessee or has otherwise been informed of a Termination or that such unit has suffered a Casualty Occurrence, cause the Vendor to be fully informed in regard thereto. On the Casualty Date (as defined in the Lease) or on the Termination Date (as defined in the Lease) in the case of a Termination (each such date hereinafter called a "Settlement Date"), the Vendee shall, subject to the limitations contained in the ninth paragraph of Article 4 hereof, pay to the Vendor (i) in the case of a Casualty Occurence, a sum equal to the Casualty Value (as hereinafter defined in this Article 7) of such unit suffering a Casualty Occurrence as of such Settlement Date, together with an amount equal to accrued interest thereon (as hereinafter provided) and (ii) in the case of a Termination, a sum equal to the Termination Value (as hereinafter defined in this Article 7) of such unit subject to such Termination as of such Settlement Date. The Vendee shall file, or cause to be filed, with the Vendor a certificate setting forth the Casualty Value of such unit or the Termination Value of such unit, as the case may be. Any money paid to the Vendor pursuant to this paragraph shall be applied (after the payment of the interest and principal due on such date) on the date of such payment to prepay without penalty or premium, except in the case of a Termination, ratably in accordance with the unpaid balance of each installment, the CSA Indebtedness, together with all interest accrued and unpaid on the portion of the CSA Indebtedness being prepaid. The Vendee shall promptly cause to be furnished to the Vendor and the Lessee a revised schedule of payments of principal and interest thereafter to be made, in such number of counterparts as the Assignee may request, calculated as provided in Article 4 hereof. In the event of the requisition for use by the United States Government of any unit of the Equipment, all of the Vendee's obligations hereunder with respect to such unit shall continue to the same extent as

if such requisition had not occurred.

The Casualty Value of each unit of the Equipment shall be deemed to be that portion of the Purchase Price thereof referred to in subparagraph (b) of the third paragraph of Article 4 hereof remaining unpaid on the date (after the payment of the interest and principal due on such date) as of which such Casualty Value shall be determined (without giving effect to any prepayment or prepayments theretofore made under this Article with respect to any other unit). For the purpose of this paragraph and the next succeeding paragraph hereof, each payment of the Purchase Price made pursuant to Article 4 hereof shall be deemed to be a payment with respect to each unit of Equipment in like proportion as the original Purchase Price of such unit bears to the aggregate original Purchase Price of all the Equipment.

The Termination Value of any unit shall be: (a) in the case of an Obsolescence Termination (as defined in the Lease), an amount equal to the Casualty Value; or (b) in the case of a Surplus Termination (as defined in the Lease), an amount equal to the sum of (i) the Casualty Value thereof plus (ii) a prepayment penalty premium equal to the product of the multiplication of such Casualty Value by the applicable percentage set forth below:

Settlement Date	Percentage
January 1, 1992	7.03%
July 1, 1992	6.66
January 1, 1993	6.29
July 1, 1993	5.92
January 1, 1994	5.55
July 1, 1994	5.18
January 1, 1995	4.81
July 1, 1995	4.44
January 1, 1996	4.07
July 1, 1996	3.70
January 1, 1997	3.33
July 1, 1997	2.96
January 1, 1998	2.59
July 1, 1998	2.22
January 1, 1999	1.85
July 1, 1999	1.48
January 1, 2000	1.11
July 1, 2000	.74
January 1, 2001	.37
July 1, 2001	0.00

Upon payment by the Vendee to the Vendor (i) of the Casualty Value of any unit of the Equipment having suffered a Casualty Occurrence or (ii) of the Termination Value of any unit subject to a Termination, absolute right to the possession of, title to and property in such unit shall pass to and vest in the Vendee, without further transfer or action on the part of the Vendor, except that the Vendor, if requested by the Vendee, will execute and deliver to the Vendee, at the expense of the Vendee, an appropriate instrument confirming such passage to the Vendee of all the Vendor's right, title and interest, and the release of the Vendor's security interest, in such unit, in recordable form, in order that the Vendee may make clear upon the public records the title of the Vendee to such unit.

If the Vendor shall receive any insurance proceeds or condemnation payments in respect of such units suffering a Casualty Occurrence, the Vendor shall, subject to the Vendor having received payment of the Casualty Value hereunder, pay such insurance proceeds or condemnation payments to the Vendee. All insurance proceeds or condemnation payments received by the Vendor in respect of any unit or units of Equipment not suffering a Casualty Occurrence shall be paid to the Vendee upon proof satisfactory to the Vendor that any damage to such unit in respect of which such proceeds were paid has been fully repaired.

ARTICLE 8. Reports and Inspections. On or before April 30 in each year, commencing with the year 1982, the Vendee shall cause to be furnished to the Vendor an accurate statement to the effect set forth in § 8 of the Lease. The Vendor shall have the right, by its agents, to inspect the Equipment and the Lessee's records with respect to matters reasonably related hereto at such reasonable times as the Vendor may request during the term of this Agreement, subject to the Lessee's applicable secrecy, safety and security regulations for the property involved.

ARTICLE 9. Marking of Equipment. The Vendee will cause each unit of the Equipment to be kept numbered with the road number and marked as provided in § 5 of the Lease. The Vendee will not permit any such unit to be placed in operation or exercise any control or dominion over the same until such markings shall have been made thereon and will replace or will cause to be replaced promptly any such markings which may be removed, obliter-

ated, defaced or destroyed. The Vendee will not permit the identifying number of any unit of the Equipment to be changed except in accordance with a statement of new number or numbers to be substituted therefor, which statement previously shall have been filed with the Vendor and filed, recorded and deposited by the Vendee in all public offices where this Agreement shall have been filed, recorded and deposited.

Except as provided in the immediately preceding paragraph, the Vendee will not allow the name of any person, association or corporation to be placed on any unit of the Equipment as a designation that might be interpreted as a claim of ownership; provided, however, that the Equipment may be lettered with the names or initials or other insignia customarily used by the Lessee or its affiliates or any permitted sublessees.

ARTICLE 10. Compliance with Laws and Rules. During the term of this Agreement, the Vendee will comply, and will cause every lessee or user of the Equipment to comply, in all respects (including, without limitation, with respect to the use, maintenance and operation of the Equipment) with all laws of the jurisdictions in which its or such lessee's or user's operations involving the Equipment may extend, with the interchange rules of the Association of American Railroads and with all lawful rules of the Department of Transportation, the Interstate Commerce Commission and any other legislative, executive, administrative or judicial body exercising any power or jurisdiction over the Equipment, to the extent that such laws and rules affect the title, operation or use of the Equipment, and in the event that such laws or rules require any alteration, replacement or modification of or to any part of any unit of the Equipment, the Vendee will conform therewith at its own expense; provided, however, that the Vendee or the Lessee may, in good faith, contest the validity or application of any such law or rule in any reasonable manner which does not, in the reasonable opinion of the Vendor, adversely affect the property or rights of the Vendor under this Agreement.

ARTICLE 11. Possession and Use. The Vendee, so long as an event of default shall not have occurred and be continuing under this Agreement, shall be entitled, from and after delivery of the Equipment by the Builder to the Vendee, to the possession of the Equipment and the use

thereof, but only upon and subject to all the terms and conditions of this Agreement.

The parties hereto acknowledge that the Vendee simultaneously is leasing the Equipment to the Lessee as provided in the Lease, and the rights of the Lessee and its permitted assigns under the Lease shall be subordinated and junior in rank to the rights, and shall be subject to the remedies, of the Vendor under this Agreement. The Lease shall not be amended or terminated (except in accordance with its terms) without the prior written consent of the Vendor.

ARTICLE 12. Prohibition Against Liens. The Vendee will pay or discharge any and all sums claimed by any party from, through or under the Vendee or its successors or assigns which, if unpaid, might become a lien, charge or security interest on or with respect to the Equipment, or any unit thereof, or the Vendee's interests in the Lease and the payments to be made thereunder equal or superior to the Vendor's security interest therein, and will promptly discharge any such lien, charge or security interest which arises, but the Vendee shall not be required to pay or discharge any such claim so long as the validity thereof shall be contested in good faith and by appropriate legal or administrative proceedings in any reasonable manner and the nonpayment thereof does not, in the reasonable opinion of the Vendor, adversely affect the security interest of the Vendor in or to the Equipment or otherwise under this Agreement. Any amounts paid by the Vendor in discharge of liens, charges or security interests upon the Equipment shall be secured by and under this Agreement.

This covenant will not be deemed breached by reason of liens for taxes, assessments or governmental charges or levies, in each case not due and delinquent, or undetermined or inchoate materialmen's, mechanics', workmen's, repairmen's or other like liens arising in the ordinary course of business and, in each case, not delinquent.

The foregoing provisions of this Article 12 shall be subject to the limitations set forth in the last paragraph of Article 4 hereof and the provisions of Article 21 hereof; provided, however, that the Vendee will pay or discharge any and all taxes, claims, liens, charges or

security interests claimed by any party from, through or under the Vendee or its successors or assigns, not arising out of the transactions contemplated hereby (but including taxes arising out of the receipt of the rentals and other payments under the Lease and any other proceeds from the Equipment), which, if unpaid, might become a lien, charge or security interest on or with respect to the Equipment, or any unit thereof, or the Vendee's interest in the Lease and the payments to be made thereunder, but the Vendee shall not be required to pay or discharge any such claim so long as the validity thereof shall be contested in good faith and by appropriate legal or administrative proceedings in any reasonable manner and the nonpayment thereof does not, in the reasonable opinion of the Vendor, adversely affect the security interest of the Vendor in or to the Equipment or otherwise under this Agreement or in and to the Lease and the payments to be made thereunder.

ARTICLE 13. Indemnities and Warranties. The Vendee agrees to indemnify, protect and hold harmless the Vendor from and against all losses, damages, injuries, liabilities, claims and demands whatsoever, regardless of the cause thereof, and expenses in connection therewith, including but not limited to counsel fees and expenses, penalties and interest, arising out of or as the result of the entering into or the performance of this Agreement, the retention by the Vendor of title to or a security interest in the Equipment, the ordering, acquisition, use, operation, condition, purchase, delivery, rejection, storage or return of any of the Equipment, any accident in connection with the operation, use, condition, possession, storage or return of any of the Equipment resulting in damage to property or injury or death to any person during the period when title thereto or a security interest therein remains in the Vendor or the transfer of title to the Equipment by the Vendor pursuant to any of the provisions of this Agreement, except however, in the case of any Builder, any losses, damages, injuries, liabilities, claims and demands whatsoever arising out of any tort, breach of warranty or failure to perform any covenant hereunder by such Builder. This covenant of indemnity shall continue in full force and effect notwithstanding the full payment of the indebtedness in respect of the Purchase Price of, and the release of the security interest in, the Equipment, as provided in Article 5 hereof, or the termination of this Agreement in any manner whatsoever.

The Vendee will bear the responsibility for and risk of, and shall not be released from its obligations hereunder (except as provided in Article 21 hereof) in the event of, any damage to or the destruction or loss of any unit of or all the Equipment.

Each Builder represents and warrants to the Vendee that, at the time of delivery and acceptance of each unit of its Equipment under this Agreement, the Vendee will have good and marketable title to such unit, free and clear of all claims, liens, security interests and other encumbrances of any nature except only the rights of the Vendor under this Agreement and the rights of the Lessee under the Lease.

Each Builder represents that it is not entering into this Agreement, or entering into any assignment of this Agreement, directly or indirectly in connection with any arrangement or understanding in any way involving any employee benefit plan (other than a governmental plan) with respect to which it is a party in interest, all within the meaning of the Employee Retirement Income Security Act of 1974.

The agreement of the parties relating to each Builder's warranty of material and workmanship and the agreement of the parties relating to patent indemnification are set forth in Items 3 and 4 of Annex A hereto.

ARTICLE 14. Assignments. The Vendee will not (a) except as provided in Article 11 hereof, transfer the right to possession of any unit of the Equipment or (b) without the prior written consent of the Vendor (which consent shall not unreasonably be withheld) sell, assign, transfer or otherwise dispose of its rights under this Agreement. Any such sale, assignment, transfer or disposition which may be made by the Vendee to another party shall be subject to the assumption by such party of all the obligations of the Vendee hereunder.

All or any of the rights, benefits and advantages of the Vendor under this Agreement, including the right to receive the payments herein provided to be made by the Vendee, may be assigned by the Vendor and reassigned by any assignee at any time or from time to time. No such assignment shall subject any assignee to, or relieve any Builder from, any of the obligations of such Builder to construct and deliver its Equipment in accordance herewith

or to respond to its warranties and indemnities referred to in Article 13 hereof, or relieve the Vendee of its obligations to such Builder contained in Articles 2, 3, 4, 6 and 13 hereof, Annex A hereto and this Article 14, or any other obligation which, according to its terms or context, is intended to survive an assignment.

Upon any such assignment, the assignor shall give written notice to the Vendee and the Lessee, together with a counterpart or copy of such assignment, stating the identity and post office address of the assignee, and such assignee shall, by virtue of such assignment, acquire all the assignor's right, title and interest in and to the Equipment and this Agreement, or in and to a portion thereof, as the case may be, subject only to such reservations as may be contained in such assignment. From and after the receipt by the Vendee of the notification of any such assignment, all payments thereafter to be made by the Vendee under this Agreement shall, to the extent so assigned, be made to the assignee in such manner as it may direct.

The Vendee recognizes that this Agreement will be assigned to the Assignee as provided in the CSA Assignment. The Vendee expressly represents, for the purpose of assurance to any person, firm or corporation considering the acquisition of this Agreement or of all or any of the rights of the Vendor hereunder, and for the purpose of inducing such acquisition, that, subject to the provisions of the last paragraph of Article 4 hereof, the rights of the Assignee to the entire unpaid indebtedness in respect of the Purchase Price of the Equipment or such part thereof as may be assigned together with interest thereon, as well as any other rights hereunder which may be so assigned, shall not be subject to any defense, setoff, counterclaim or recoupment whatsoever arising out of any breach of any obligation of any Builder with respect to the Equipment or the manufacture, construction, delivery or warranty thereof, or with respect to any indemnity herein contained, nor subject to any defense, setoff, counterclaim or recoupment whatsoever arising by reason of any other indebtedness or liability at any time owing to the Vendee or the Lessee by any Builder. Any and all such obligations, howsoever arising, shall be and remain enforceable by the Vendee or the Lessee, as the case may be, against and only against the Builders.

ARTICLE 15. <u>Defaults.</u> In the event that any one

or more of the following events of default shall occur and be continuing, to wit:

(a) the Vendee shall fail to pay in full any sum payable by the Vendee when payment thereof shall be due hereunder (irrespective of the provisions of Article 4 or 21 hereof or any other provision of this Agreement limiting the liability of the Vendee) and such default shall continue for 15 days after the date such payment is due and payable; or

(b) the Vendee (irrespective of the provisions of Article 4 or 21 hereof or any other provision of this Agreement limiting the liability of the Vendee) or the Lessee shall, for more than 30 days after the Vendor shall have demanded in writing performance thereof, fail or refuse to comply with any other covenant, agreement, term or provision of this Agreement, or of any agreement entered into concurrently herewith relating to the financing of the Equipment, on its part to be kept and performed or to make provision satisfactory to the Vendor for such compliance; or

(c) any proceeding shall be commenced by or against the Vendee or the Lessee for any relief which includes, or might result in, any modification of the obligations of the Vendee hereunder or of the Lessee under the Lease or the Consent under any bankruptcy or insolvency laws, or laws relating to the relief of debtors, readjustment of indebtedness, reorganizations, arrangements, compositions or extensions (other than a law which does not permit any readjustment of such obligations), and, unless such proceedings shall have been dismissed, nullified, stayed or otherwise rendered ineffective (but then only so long as such stay shall continue in force or such ineffectiveness shall continue), all the obligations of the Vendee or of the Lessee under this Agreement, the Lease, the Lease Assignment, the Consent and/or the Participation Agreement, as the case may be, shall not have been and shall not continue to have been duly assumed in writing, pursuant to a court order or decree, by a trustee or trustees or receiver or receivers appointed for the Vendee or the Lessee, as the case may be, or for their respective property in connection with any such proceedings in such manner that such obligations

shall have the same status as obligations incurred by such trustee or trustees or receiver or receivers, within 60 days after such proceedings shall have been commenced; or

(d) the Vendee shall make or permit any unauthorized assignment or transfer of this Agreement or any interest herein or any unauthorized transfer of the right to possession of any unit of the Equipment and the Vendee shall, for more than 30 days after demand in writing by the Vendor, fail to secure a reassignment or retransfer to the Vendee of such Agreement, interest or right; or

(e) any Event of Default (as defined in the Lease) shall have occurred and be continuing under the Lease; provided, however, that an Event of Default under clause (A) of § 10 of the Lease shall not be deemed to be an event of default hereunder if (1) within the 15 business days' period provided by subparagraph (a) of this Article 15, the Vendee shall make payment of all amounts in default under said subparagraph (a) hereunder and (2) there is no other event of default under this Article 15;

then at any time after the occurrence of such an event of default the Vendor may, upon written notice to the Vendee and the Lessee and upon compliance with any legal requirements then in force and applicable to such action by the Vendor, (i) subject to the proviso in the second paragraph of § 4 of the Lease relating to the Lessee's rights of possession, use and assignment under § 12 of the Lease, cause the Lease immediately upon such notice to terminate (and the Vendee acknowledges the right of the Vendor to terminate the Lease), but without affecting the indemnities which by the provisions of the Lease survive its termination, provided, however, that such termination shall not be in derogation of or impair the rights of the Vendee to enforce compliance by the Lessee with any of its covenants and agreements under the Lease or to enforce any of its rights and remedies under § 10 of the Lease (subject to the Vendor's rights to repossess and sell the Equipment as provided herein), including the rights of the Vendee to sue for and recover damages provided for in § 11(a) of the Lease upon the occurrence of an Event of Default under the Lease, and/or (ii) declare (hereinafter called a "Declaration of Default") the entire unpaid CSA Indebted-

ness, together with the interest thereon then accrued and unpaid, immediately due and payable, without further demand, and thereafter the aggregate of the unpaid balance of such Indebtedness and interest shall bear interest from the date of such Declaration of Default at the rate per annum specified in Article 4 hereof as being applicable to amounts remaining unpaid after becoming due and payable, to the extent legally enforceable. Upon a Declaration of Default, subject to Article 4 hereof, the Vendor shall be entitled to recover judgment for the entire unpaid balance of the CSA Indebtedness so payable, with interest as aforesaid, and to collect such judgment out of any property of the Vendee, subject to the provisions of Article 4 hereof, wherever situated. The Vendee shall promptly notify the Vendor of any event of which it has knowledge which constitutes, or with the giving of notice and/or lapse of time could constitute, an event of default under this Agreement.

The Vendor may, at its election, waive any such event of default and its consequences and rescind and annul any Declaration of Default or notice of termination of the Lease by notice to the Vendee and the Lessee in writing to that effect, and thereupon the respective rights of the parties shall be as they would have been if no such event of default had occurred and no Declaration of Default or notice of termination of the Lease had been made or given. Notwithstanding the provisions of this paragraph, it is expressly understood and agreed by the Vendee that time is of the essence of this Agreement and that no such waiver, rescission or annulment shall extend to or affect any other or subsequent default or impair any rights or remedies consequent thereon.

ARTICLE 16. Remedies. Subject to the Lessee's rights of possession, use and assignment under §§ 4 and 12 of the Lease, at any time during the continuance of a Declaration of Default, the Vendor may, and upon such further notice, if any, as may be required for compliance with any mandatory legal requirements then in force and applicable to the action to be taken by the Vendor, take or cause to be taken, by its agent or agents, immediate possession of the Equipment, or one or more of the units thereof, without liability to return to the Vendee any sums theretofore paid and free from all claims whatsoever, except as hereinafter in this Article 16 expressly provided, and may remove the same from possession and use of

the Vendee or any other person and for such purpose may enter upon the premises of the Vendee or any other premises where the Equipment may be located and may use and employ in connection with such removal any supplies, services and aids and any available trackage and other facilities or means of the Vendee, subject to all mandatory requirements of due process of law.

In case the Vendor shall demand possession of the Equipment pursuant to this Agreement and shall designate a reasonable point or points for the delivery of the Equipment to the Vendor, the Vendee shall, at its own expense and risk:

(a) forthwith and in the usual manner (including, but not by way of limitation, causing prompt telegraphic and written notice to be given to the Association of American Railroads and all railroads to which any unit or units of the Equipment have been interchanged to return the unit or units so interchanged) cause the Equipment to be placed upon such storage tracks of the Lessee or, at the expense of the Vendee, upon any other storage tracks, as the Vendor reasonably may designate;

(b) permit the Vendor to store the Equipment on such tracks at the risk of the Vendee without charge for rent or storage until the Equipment has been sold, leased or otherwise disposed of by the Vendor; and

(c) cause the Equipment to be transported to any reasonable place on any lines of railroad or to any connecting carrier for shipment, all as directed by the Vendor.

During any storage period, the Vendee will, at its own cost and expense, insure, maintain and keep each such unit in good order and repair and will permit the inspection of the Equipment by the Vendor, the Vendor's representatives and prospective purchasers, lessees and users. This agreement to deliver the Equipment and furnish facilities as hereinbefore provided is of the essence of the agreement between the parties, and, upon application to any court of equity having jurisdiction in the premises, the Vendor shall be entitled to a decree against the Vendee requiring specific performance hereof. The Vendee hereby expressly waives any

and all claims against the Vendor and its agent or agents for damages of whatever nature in connection with any retaking of any unit of the Equipment in any reasonable manner.

At any time during the continuance of a Declaration of Default, the Vendor (after retaking possession of the Equipment as hereinbefore in this Article 16 provided) may, at its election and upon such notice as is hereinafter set forth, retain the Equipment in satisfaction of the entire CSA Indebtedness and make such disposition thereof as the Vendor shall deem fit. Written notice of the Vendor's election to retain the Equipment shall be given to the Vendee and the Lessee by telegram or registered mail, addressed as provided in Article 20 hereof, and to any other persons to whom the law may require notice, within 30 days after such Declaration of Default. In the event that the Vendor should elect to retain the Equipment and no objection is made thereto within the 30-day period described in the second proviso below, all the Vendee's rights in the Equipment shall thereupon terminate and all payments made by the Vendee or for its account may be retained by the Vendor as compensation for the use of the Equipment; provided, however, that if the Vendee, before the expiration of the 30-day period described in the proviso below, should pay or cause to be paid to the Vendor the total unpaid balance of the CSA Indebtedness, together with interest thereon accrued and unpaid and all other payments due under this Agreement, then in such event absolute right to the possession of, title to and property in the Equipment shall pass to and vest in the Vendee; provided, further, that if the Vendee, the Lessee or any other persons notified under the terms of this paragraph object in writing to the Vendor within 30 days from the receipt of notice of the Vendor's election to retain the Equipment, then the Vendor may not so retain the Equipment, but shall sell, lease or otherwise dispose of it or continue to hold it pending sale, lease or other disposition as hereinafter provided or as may otherwise be permitted by law. If the Vendor shall not have given notice to retain as hereinabove provided or notice of intention to dispose of the Equipment in any other manner, it shall be deemed to have elected to sell the Equipment in accordance with the provisions of this Article 16.

At any time during the continuance of a Declaration of Default, the Vendor, with or without retaking

possession thereof, at its election and upon reasonable notice to the Vendee, the Lessee and any other persons to whom the law may require notice of the time and place, may sell the Equipment, or one or more of the units thereof, free from any and all claims of the Vendee, the Lessee or any other party claiming from, through or under the Vendee or the Lessee, at law or in equity, at public or private sale and with or without advertisement as the Vendor may determine; provided, however, that if, prior to such sale and prior to the making of a contract for such sale, the Vendee should tender full payment of the total unpaid balance of the CSA Indebtedness, together with interest thereon accrued and unpaid and all other payments due under this Agreement as well as expenses of the Vendor in retaking possession of, removing, storing, holding and preparing the Equipment for, and otherwise arranging for, the sale and the Vendor's reasonable attorneys' fees, then upon receipt of such payment, expenses and fees by the Vendor, absolute right to the possession of, title to and property in the Equipment shall pass to and vest in the Vendee. The proceeds of such sale or other disposition, less the attorneys' fees and any other expenses incurred by the Vendor in retaking possession of, removing, storing, holding, preparing for sale and selling or otherwise disposing of the Equipment, shall be credited on the amount due to the Vendor under the provisions of this Agreement.

Any sale hereunder may be held or conducted at New York, New York, at such time or times as the Vendor may specify (unless the Vendor shall specify a different place or places, in which case the sale shall be held at such place or places as the Vendor may specify), in one lot and as an entirety or in separate lots and without the necessity of gathering at the place of sale the property to be sold, and in general in such manner as the Vendor may determine, so long as such sale shall be in a commercially reasonable manner. The Vendor, the Vendee or the Lessee may bid for and become the purchaser of the Equipment, or any unit thereof, so offered for sale. The Vendee and the Lessee shall be given written notice of such sale not less than 10 days prior thereto, by telegram or registered mail addressed as provided in Article 20 hereof. If such sale shall be a private sale (which shall be deemed to mean only a sale where an advertisement for bids has not been published in a newspaper of general circulation or a sale where less than 40 railroads have been solicited in writing to submit bids), it shall be subject to the rights of the

Lessee and the Vendee to purchase or provide a purchaser, within 10 days after notice of the proposed sale price, at the same price offered by the intending purchaser or a better price. In the event that the Vendor shall be the purchaser of the Equipment, it shall not be accountable to the Vendee or the Lessee (except to the extent of surplus money received as hereinafter provided in this Article 16), and in payment of the purchase price therefor the Vendor shall be entitled to have credited on account thereof all or any part of sums due to the Vendor hereunder.

Each and every power and remedy hereby specifically given to the Vendor shall be in addition to every other power and remedy hereby specifically given or now or hereafter existing at law or in equity, and each and every power and remedy may be exercised from time to time and simultaneously and as often and in such order as may be deemed expedient by the Vendor. All such powers and remedies shall be cumulative, and the exercise of one shall not be deemed a waiver of the right to exercise any other or others. No delay or omission of the Vendor in the exercise of any such power or remedy and no renewal or extension of any payments due hereunder shall impair any such power or remedy or shall be construed to be a waiver of any default or an acquiescence therein. Any extension of time for payment hereunder or other indulgence duly granted to the Vendee or the Lessee shall not otherwise alter or affect the Vendor's rights or the Vendee's obligations hereunder. The Vendor's acceptance of any payment after it shall have become due hereunder shall not be deemed to alter or affect the Vendee's obligations or the Vendor's rights hereunder with respect to any subsequent payments or default therein.

If, after applying all sums of money realized by the Vendor under the remedies herein provided, there shall remain any amount due to it under the provisions of this Agreement, the Vendee shall pay the amount of such deficiency to the Vendor upon demand, together with interest thereon from the date of such demand to the date of payment at the rate per annum specified in Article 4 hereof as being applicable to amounts remaining unpaid after becoming due and payable, and, if the Vendee shall fail to pay such deficiency, the Vendor may bring suit therefor and shall, subject to the limitations of the last paragraph of Article 4 hereof, be entitled to recover a judgment therefor against the Vendee. If, after applying as aforesaid all

sums realized by the Vendor, there shall remain a surplus in the possession of the Vendor, such surplus shall be paid to the Vendee.

The Vendee will pay all reasonable expenses, including attorneys' fees, incurred by the Vendor in enforcing its remedies under the terms of this Agreement. In the event that the Vendor shall bring any suit to enforce any of its rights hereunder and shall be entitled to judgment, then in such suit the Vendor may recover reasonable expenses, including reasonable attorneys' fees, and the amount thereof shall be included in such judgment.

The foregoing provisions of this Article 16 are subject in all respects to all mandatory legal requirements at the time in force and applicable thereto.

ARTICLE 17. Applicable State Laws. Any provision of this Agreement prohibited by any applicable law of any jurisdiction shall as to such jurisdiction be ineffective, without modifying the remaining provisions of this Agreement. Where, however, the conflicting provisions of any such applicable law may be waived, they are hereby waived by the Vendee to the full extent permitted by law, it being the intention of the parties hereto that this Agreement shall be deemed to be a conditional sale and enforced as such.

Except as otherwise provided in this Agreement, the Vendee, to the full extent permitted by law, hereby waives all statutory or other legal requirements for any notice of any kind, notice of intention to take possession of or to sell or lease the Equipment, or any one or more units thereof, and any other requirements as to the time, place and terms of the sale or lease thereof, any other requirements with respect to the enforcement of the Vendor's rights under this Agreement and any and all rights of redemption.

ARTICLE 18. Recording. The Vendee will cause this Agreement, any assignments hereof and any amendments or supplements hereto or thereto to be filed and recorded with the Interstate Commerce Commission pursuant to 49 U.S.C. § 11303; and the Vendee will from time to time do and perform any other act and will execute, acknowledge, deliver, file, register, deposit and record any and all further instruments required by law or reasonably requested

by the Vendor for the purpose of proper protection, to the satisfaction of counsel for the Vendor, of its interest in the Equipment and its rights under this Agreement or for the purpose of carrying out the intention of this Agreement; and the Vendee will promptly furnish or cause to be furnished to the Vendor certificates or other evidence of such filing, registering, depositing and recording satisfactory to the Vendor.

ARTICLE 19. Article Headings; Effect and Modification of Agreement. All article headings are inserted for convenience only and shall not affect any construction or interpretation of this Agreement.

Except for the Participation Agreement, this Agreement, including the Annexes hereto, exclusively and completely states the rights of the Vendor and the Vendee with respect to the Equipment and supersedes all other agreements, oral or written, with respect to the Equipment. No variation or modification of this Agreement and no waiver of any of its provisions or conditions shall be valid unless in writing and signed by duly authorized representatives of the Vendor and the Vendee.

ARTICLE 20. Notice. Any notice hereunder to any of the parties designated below shall be deemed to be properly served if delivered or mailed to it by first class mail, postage prepaid, at the following addresses

(a) to the Vendee, at One Embarcadero Center, San Francisco, California 94111, Attention of Manager, Operations Department--LEV,

(b) to the Lessee, at 2020 Dow Center, Midland, Michigan 48640, Attention of Treasurer-Dow Chemical, U.S.A.

(c) to a Builder, at its address specified in Item 1 of Annex A hereto,

(d) to any assignee of the Vendor, or of the Vendee, at such address as may have been furnished in writing to the Vendee, or the Vendor, as the case may be, and to the Lessee, by such assignee,

or at such other address as may have been furnished in writing by such party to the other parties to this Agree-

ment.

ARTICLE 21. Immunities; Satisfaction of Undertakings. No recourse shall be had in respect of any obligation due under this Agreement, or referred to herein, against any incorporator, stockholder, director or officer, as such, past, present or future, of the parties hereto, whether by virtue of any constitutional provision, statute or rule of law, or by enforcement of any assessment or penalty or otherwise, all such liability, whether at common law, in equity, by any constitutional provision, statute or otherwise, of such incorporators, stockholders, directors or officers, as such, being forever released as a condition of and as consideration for the execution of this Agreement.

The obligations of the Vendee under the second paragraph of Article 16 and under Articles 3, 6, 7 (other than the third and fifth sentences of the second paragraph thereof to the extent that certificates or payment schedules are required to be prepared and furnished therein), 8, 9, 10, 12 (other than the proviso to the last paragraph thereof), 13 and 18 hereof shall be deemed in all respects satisfied by the Lessee's undertakings contained in the Lease. The Vendee shall not have any responsibility for the Lessee's failure to perform such obligations, but if the same shall not be performed they shall constitute the basis for an event of default hereunder pursuant to Article 15 hereof. No waiver or amendment of the Lessee's undertakings under the Lease shall be effective unless joined in by the Vendor.

ARTICLE 22. Law Governing. The terms of this Agreement and all rights and obligations hereunder shall be governed by the laws of the State of New York; provided, however, that the parties shall be entitled to all rights conferred by 49 U.S.C. § 11303 and such additional rights arising out of the filing, recording or deposit hereof, if any, and of any assignment hereof as shall be conferred by the laws of the several jurisdictions in which this Agreement or any assignment hereof shall be filed, recorded or deposited.

ARTICLE 23. Execution. This Agreement may be executed in any number of counterparts, such counterparts together constituting but one and the same contract, but the counterpart delivered to the Assignee pursuant to

the CSA Assignment shall be deemed the original and all other counterparts shall be deemed duplicates thereof. Each Builder shall be bound hereunder notwithstanding the failure of any other Builder to execute and deliver this Agreement or to perform its obligations hereunder. Although for convenience this Agreement is dated as of the date first above written, the actual date or dates of execution hereof by the parties hereto is or are, respectively, the date or dates stated in the acknowledgments hereto annexed.

IN WITNESS WHEREOF, the parties hereto have executed or caused this instrument to be executed all as of the date first above written.

ACF INDUSTRIES, INCORPORATED,

by

[CORPORATE SEAL]

Vice President

Attest:

Assistant Secretary

GENERAL AMERICAN TRANSPORTATION CORPORATION,

by

[CORPORATE SEAL]

Vice President

Attest:

Secretary

RICHMOND TANK CAR COMPANY,

by

[CORPORATE SEAL]

Vice President

Attest:

Secretary

SECURITY PACIFIC EQUIPMENT
LEASING, INC.,

by

[CORPORATE SEAL]

CONTRACT ADMINISTRATOR

Attest:

Marc L Marker

Secretary

STATE OF NEW YORK,)
) ss.:
COUNTY OF NEW YORK,)

On this day of 1981, before me personally appeared , to me personally known, who, being by me duly sworn, says that he is a Vice President of ACF INDUSTRIES, INCORPORATED, that one of the seals affixed to the foregoing instrument is the corporate seal of said Corporation, that said instrument was signed and sealed on behalf of said Corporation by authority of its Board of Directors and he acknowledged that the execution of the foregoing instrument was the free act and deed of said Corporation.

[Notarial Seal] _____
Notary Public

My Commission expires

STATE OF ILLINOIS,)
) ss.:
COUNTY OF COOK,)

On this day of 1981, before me personally appeared , to me personally known, who, being by me duly sworn, says that he is a Vice President of GENERAL AMERICAN TRANSPORTATION CORPORATION, that one of the seals affixed to the foregoing instrument is the corporate seal of said Corporation, that said instrument was signed and sealed on behalf of said Corporation by authority of its Board of Directors and he acknowledged that the execution of the foregoing instrument was the free act and deed of said Corporation.

[Notarial Seal] _____
Notary Public

My Commission expires

STATE OF TEXAS,)
) ss.:
COUNTY OF HARRIS,)

On this day of 1981, before me personally appeared , to me personally known, who, being by me duly sworn, says that he is a Vice President of RICHMOND TANK CAR COMPANY, that one of the seals affixed to the foregoing instrument is the corporate seal of said Corporation, that said instrument was signed and sealed on behalf of said Corporation by authority of its Board of Directors and he acknowledged that the execution of the foregoing instrument was the free act and deed of said Corporation.

[Notarial Seal] Notary Public

My Commission expires

STATE OF CALIFORNIA,)
) ss.:
COUNTY OF SAN FRANCISCO,)

On this 30th day of January 1981, before me personally appeared Margaret B. Pinion, to me personally known, who, being by me duly sworn, says that she is Contract Administrator of SECURITY PACIFIC EQUIPMENT LEASING, INC., that one of the seals affixed to the foregoing instrument is the corporate seal of said Corporation and that said instrument was signed and sealed on behalf of said Corporation by authority of its Board of Directors and she acknowledged that the execution of the foregoing instrument was the free act and deed of said Corporation.

OFFICIAL SEAL
GAIL D SMEDAL
Notary Public California
City and County of
SAN FRANCISCO
My Commission Expires April 21, 1981

[Notarial Seal]

Gail D Smedal
Notary Public

My Commission expires 4/21/81

SCHEDULE I

Allocation Schedule of Each $1,000,000
of 14% CSA Indebtedness Payable
in Installments

Payment Number	Date	Debt Service	Interest Payment	Principal Recovery	Remaini Princip Balanc
Interim	30 Jun 81	$ *	$ *	$ 0.00	$1,000,00
1	30 Dec 81	74,869.75	70,000.00	4,869.75	995,13
2	30 Jun 82	74,869.75	69,659.12	5,210.63	989,91
3	30 Dec 82	74,869.75	69,294.37	5,575.38	984,34
4	30 Jun 83	74,869.75	68,904.10	5,965.65	978,37
5	30 Dec 83	74,869.75	68,486.50	6,383.25	971,99
6	30 Jun 84	74,869.75	68,039.67	6,830.08	965,16
7	30 Dec 84	74,869.75	67,561.57	7,308.18	957,85
8	30 Jun 85	74,869.75	67,050.00	7,819.75	950,03
9	30 Dec 85	74,869.75	66,502.61	8,367.14	941,67
10	30 Jun 86	74,869.75	65,916.91	8,952.84	932,71
11	30 Dec 86	74,869.75	65,290.21	9,579.54	923,13
12	30 Jun 87	74,869.75	64,619.65	10,250.10	912,88
13	30 Dec 87	74,869.75	63,902.14	10,967.61	901,92
14	30 Jun 88	74,869.75	63,134.41	11,735.34	890,18
15	30 Dec 88	74,869.75	62,312.93	12,556.82	877,62
16	30 Jun 89	74,869.75	61,433.96	13,435.79	864,19
17	30 Dec 89	74,869.75	60,493.45	14,376.30	849,81
18	30 Jun 90	74,869.75	59,487.11	15,382.64	834,43
19	30 Dec 90	74,869.75	58,410.32	16,459.43	817,97
20	30 Jun 91	74,869.75	57,258.16	17,611.59	800,36
21	30 Dec 91	91,507.46	56,025.35	35,482.11	764,88
22	30 Jun 92	82,358.95	53,541.61	28,817.34	736,06
23	30 Dec 92	78,591.01	51,524.39	27,066.62	708,99
24	30 Jun 93	75,469.39	49,629.73	25,839.66	683,15
25	30 Dec 93	72,386.64	47,820.95	24,565.69	658,59
26	30 Jun 94	70,323.25	46,101.35	24,221.90	634,36
27	30 Dec 94	68,300.19	44,405.82	23,894.37	610,47
28	30 Jun 95	67,266.82	42,733.22	24,533.60	585,94
29	30 Dec 95	66,242.66	41,015.86	25,226.80	560,71
30	30 Jun 96	65,197.59	39,249.99	25,947.60	534,76
31	30 Dec 96	64,124.21	37,433.66	26,690.55	508,07
32	30 Jun 97	63,097.13	35,565.32	27,531.81	480,54
33	30 Dec 97	62,041.30	33,638.09	28,403.21	452,14
34	30 Jun 98	61,025.99	31,649.87	29,376.12	422,76
35	30 Dec 98	77,159.57	29,593.54	47,566.03	375,19
36	30 Jun 99	91,507.46	26,263.91	65,243.55	309,95
37	30 Dec 99	91,507.46	21,696.87	69,810.59	240,14
38	30 Jun 00	91,507.46	16,810.12	74,697.34	165,44
39	30 Dec 00	91,507.46	11,581.31	79,926.15	85,52
40	30 Jun 01	91,507.63	5,986.48	85,521.15	
Totals		$3,020,024.63	$2,020,024.63	$1,000,000.00	$

* Interest only on the CSA Indebtedness shall be payable to the extent accrued on this date.

Annex A

to

Conditional Sale Agreement

Item 1: (a) ACF Industries, Incorporated, 750 Third Avenue, New York, New York 10017.

(b) General American Transportation Corporation, 120 South Riverside Plaza, Chicago, Illinois 60606, attention of Law Department.

(c) Richmond Tank Car Company, 1700 West Loop South (Suite 1500), Houston, Texas 77027, Attention of Jim F. Herring, Vice President.

Item 2: Unless the parties shall otherwise agree, the Equipment shall be settled for in not more than five Groups. It is expected that Closing Dates shall occur on or about February 17, 1981, March 4, 1981, and on or about the 15th of every month thereafter (but in no event after the Final Closing Date) until such time as all of the Equipment shall have been settled for.

Item 3: Each Builder warrants that the Equipment built by it will be built in accordance with the requirements, Specifications and standards set forth in Article 2 of the CSA to which this Annex A is attached (this "Agreement") and warrants its Equipment will be free from defects in material (except as to specialties incorporated therein which were specified or supplied by the Lessee and not manufactured by such Builder) and workmanship under normal use and service. If any unit of the Equipment covered by the above warranty does not meet the above warranty, within one year after the date of the acceptance of such unit by the Vendee, such Builder shall thereupon correct such defect (including nonconformance with the requirements, Specifications and standards set forth in Article 2 of this Agreement), either by (1) repairing or replacing such defective part or parts of any unit of the Equipment, provided that the Vendor or the Lessee notifies such Builder in writing promptly after discovery of such defect, and at the expense of the Lessee, makes such defective unit or units of the Equipment promptly available at such Builder's plant for any repair, or by (2) making available at such Builder's plant

the necessary repaired or replacement parts, as appropriate and agreed to by the parties. EXCEPT FOR THE OBLIGATIONS AND LIABILITIES OF EACH BUILDER UNDER ARTICLES 2, 3, 4 AND 13 OF THE AGREEMENT, THE FOREGOING WARRANTY OF EACH BUILDER IS EXPRESSLY IN LIEU OF ALL OTHER WARRANTIES, EXPRESS OR IMPLIED, INCLUDING ANY IMPLIED WARRANTY OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE, LIABILITY FOR LOST PROFIT OR FOR INDIRECT, INCIDENTAL, CONSEQUENTIAL OR COMMERCIAL LOSSES, AND OF ALL OTHER OBLIGATIONS OR LIABILITIES, AND NO BUILDER ASSUMES OR AUTHORIZES ANY PERSON TO ASSUME FOR IT ANY OTHER LIABILITY IN CONNECTION WITH THE CONSTRUCTION AND DELIVERY OF THE EQUIPMENT EXCEPT AS AFORESAID. IT IS FURTHER UNDERSTOOD AND AGREED THAT IN NO EVENT SHALL ANY BUILDER BE LIABLE FOR INDIRECT OR CONSEQUENTIAL DAMAGES OF ANY KIND.

Each Builder further agrees that neither the inspection as provided in Article 3 of this Agreement nor any examination nor the acceptance of any units of the Equipment as provided in said Article 3 shall be deemed a waiver or a modification by the Vendee of any of its rights under this Item 3.

Item 4: Each Builder agrees to indemnify, protect and hold harmless the Vendee and the Lessee from and against any and all liability, claims, costs, charges and expenses, including royalty payments and counsel fees, in any manner imposed upon or accruing against the Vendee or the Lessee because of the use in or about the construction or operation of any of its Equipment of any design, system, process, formula, combination, article or material which infringes or is claimed to infringe on any patent or other right, except any and all liability, claims, costs, charges and expenses, including royalty payments and counsel fees, in any manner imposed upon or accruing against the Vendee or the Lessee because of the use in or about the construction or operation of any of its Equipment of any design, system, process, formula, combination specified by the Lessee and not developed or purported to be developed by such Builder or any article or material specified by

the Lessee and not manufactured by such Builder. Each Builder agrees to and hereby does, to the extent legally possible without impairing any claim, right or cause of action hereinafter referred to, assign, set over and deliver to the Lessee every claim, right and cause of action which such Builder has or hereafter shall have against the seller or sellers of any designs, systems, processes, formulae, combinations, articles or materials specified by the Lessee and purchased or otherwise acquired by such Builder for use in or about the construction or operation of any of the Equipment, on the ground that any such design, system, process, formula, combination, article or material or operation thereof infringes or is claimed to infringe on any patent or other right. Such covenants of indemnity shall continue in full force and effect notwithstanding the full payment of all sums due under this Agreement, the satisfaction and discharge of this Agreement or the termination of this Agreement in any manner.

Item 5: The Maximum Purchase Price referred to in Article 4 of the CSA to which this Annex A is attached is $10,352,794.

Item 6: The Maximum CSA Indebtedness referred to in Article 4 of the CSA to which this Annex A is attached is $7,260,000.

Annex B
to
Conditional Sale Agreement

Type	AAR Mechanical Designation	Builder's Specifications	Builder's Plant	Quantity	Lessee's Road Numbers (Both Inclusive)	Estimated Unit Base Price	Estimated Total Base Price	Estimated Time and Place of Delivery
GATX 100-ton caustic soda tank cars	DOT 111A 100W-1	15,950 gal.	Sharon, Pa.	55	DOWX 7030-7084	$54,785	$3,013,175	Sharon, Pa., February and March 1981
GATX ethanolamine tank cars	DOT 111A 100W-6	20,000 gal.	Sharon, Pa.	7	DOWX 3264-3270	124,800	873,600	Sharon, Pa., February and March 1981
GATX 100-ton ethylene oxide tank cars	DOT 105A 300-W	25,000 gal.	Sharon, Pa.	23	DOWX 8402-8424	67,900	1,561,700	Sharon, Pa., February and March 1981
ACF 100-ton CF 2980 centerflow covered hopper cars	L-151	12-01075	Huntington, W. Va.	47	DOWX 2711-2757	42,000	1,974,000	January and February 1981 FOB Huntington W.Va. with deliery to common carrier for shipment to Brady, Texas
ACF 100-ton 25,000 gal. tank cars	T-527	18-15435	Milton, Pa.	13	DOWX 8465-8477	68,548	891,124	January and February 1981 Milton, Pa.
RTCC *Muriatic acid tank cars 28,000 gal. nominal capacity	T	20.ORC-Z	Sheldon, Tex.	18	DOWX 6856-6873	58,600	1,054,800	February and March 1981 Sheldon, Tex.
				163			$9,368,399	

ANNEX C
TO
CONDITIONAL SALE
AGREEMENT

[CS&M Ref: 2044-090]

LEASE OF RAILROAD EQUIPMENT

Dated as of January 1, 1981

Between

THE DOW CHEMICAL COMPANY,
Lessee,

And

SECURITY PACIFIC EQUIPMENT LEASING, INC.,
Lessor.

The rights and interests of the Lessor under this Lease are subject to a security interest in favor of Mercantile-Safe Deposit and Trust Company, as Agent for certain institutional investors. The original of this Lease is held by said Agent.

due.

All amounts earned in respect of the Units (including, without limitation, mileage charges) during the term of this Lease shall belong to the Lessee and, if received by the Lessor, shall be promptly turned over to the Lessee so long as no Default exists hereunder.

§ 4. Term of Lease. The term of this Lease as to each Unit shall begin on the date of delivery and acceptance of such Unit hereunder and, subject to the provisions of §§ 7, 10 and 13 hereof, shall terminate on the date on which the final payment of rent in respect thereof is due pursuant to § 3 hereof. The obligations of the Lessee hereunder (including, but not limited to, the obligations under §§ 6, 7, 9 and 14 hereof) shall survive the expiration of the term of this Lease.

Notwithstanding anything to the contrary contained herein, all rights and obligations of the Lessee under this Lease and in and to the Units are subject to the rights of the Vendor under the CSA. If an event of default should occur under the CSA, the Vendor may terminate this Lease or rescind its terms, all as provided therein; provided, however, that so long as (i) no Event of Default exists hereunder, (ii) the Lessee is complying with the provisions of the Consent and (iii) the Vendor is entitled to apply the Payments (as defined in the Lease Assignment) in accordance with the Lease Assignment, this Lease may not be terminated and the Lessee shall be entitled to the rights of possession, use and assignment under § 12 hereof.

§ 5. Identification Marks. The Lessee will cause each Unit to be kept numbered with the road number set forth in Schedule A hereto, or in the case of any Unit not there listed, such road number as shall be set forth in any amendment or supplement hereto extending this Lease to cover such Unit, and will keep and maintain, plainly, distinctly, permanently and conspicuously marked on each side of each Unit, in letters not less than one-half inch in height, the words "Ownership subject to a Security Agreement Filed with the Interstate Commerce Commission" or other appropriate words designated by the Vendor, with appropriate changes thereof and additions thereto as from time to time may be required by law in order to protect the Lessor's and Vendor's title to and interest in such Unit and the rights of the Lessor under this Lease and of the

rights of the Vendor under the CSA. The Lessee will not place any such Unit in operation or exercise any control or dominion over the same until such words shall have been so marked and will replace promptly any such markings which may be removed, obliterated, defaced or destroyed. The Lessee will not change the road number of any Unit unless and until (i) a statement of new number or numbers to be substituted therefor shall have been filed with the Vendor and the Lessor and duly filed, recorded and deposited by the Lessee in all public offices where this Lease and the CSA shall have been filed, recorded and deposited and (ii) the Lessee shall have furnished the Vendor and the Lessor an opinion of counsel to such effect. The Units may be lettered with the names or initials or other insignia customarily used by the Lessee or its affiliates or any permitted sublessee; but the Lessee will not allow the name of any other person, association or corporation to be placed on any Unit as a designation that might be interpreted as a claim of ownership.

§ 6. Taxes. All payments to be made by the Lessee hereunder will be free of expense to the Lessor for collection or other charges and will be free of expense to the Lessor with respect to the amount of any local, state, Federal or foreign taxes (other than any state franchise taxes and United States Federal net income tax payable by the Lessor in consequence of the receipt of payments provided for herein and other than the aggregate of all state or local taxes measured by net income based on such receipts, except any such tax which is in substitution for or relieves the Lessee from the payment of taxes which it would otherwise be obligated to pay or reimburse as herein provided) or license fees, assessments, charges, fines or penalties (all such expenses, taxes, license fees, assessments, charges, fines and penalties being hereinafter called "Impositions") hereafter levied or imposed upon or in connection with or measured by this Lease or any sale, rental, use, payment, shipment, delivery or transfer of title under the terms hereof or the CSA, all of which Impositions the Lessee assumes and agrees to pay before they become delinquent in addition to the payments to be made by it provided for herein. The Lessee will also pay before they become delinquent all Impositions which may be imposed upon any Unit or for the use or operation thereof (except as provided above) or upon the earnings arising therefrom (except as provided above) or upon the Lessor solely by reason of its ownership thereof and will keep

at all times all and every part of such Unit free and clear of all Impositions which might in any way affect the title of the Lessor or result in a lien upon any such Unit; provided, however, that the Lessee shall not be under any obligation to pay any Impositions of any kind so long as it is contesting in good faith and by appropriate legal or administrative proceedings such Impositions and the nonpayment thereof does not, in the reasonable opinion of the Lessor, adversely affect the title, property or rights of the Lessor hereunder or the Lessor or the Vendor under the CSA. The Lessee agrees to give the Lessor notice of such contest within 30 days after institution thereof, and the Lessor agrees to provide such information as may be reasonably requested by the Lessee in furtherance of such contest. If any Impositions shall have been charged or levied against the Lessor directly and paid by the Lessor, the Lessee shall reimburse the Lessor on presentation of an invoice therefor; provided, however, that the Lessor shall have given the Lessee written notice of such Imposition prior to such payment.

In the event that the Lessor shall become obligated to make any payment pursuant to Article 6 of the CSA to any Builder or the Vendor or otherwise pursuant to any correlative provision of the CSA, the Lessee shall pay such additional amounts (which shall also be deemed Impositions hereunder) to the Lessor as will enable the Lessor to fulfill completely its obligations pursuant to said provision.

In the event any reports with regard to Impositions are required to be made, the Lessee will, where permitted so to do under applicable rules or regulations, make and timely file such reports in such manner as to show the interest of the Lessor and the Vendor as shall be reasonably satisfactory to the Lessor and the Vendor or, where not so permitted, will notify the Lessor and the Vendor of such requirement and will prepare and deliver such reports to the Lessor and the Vendor within a reasonable time prior to the time such reports are to be filed in such manner as shall be satisfactory to the Lessor and the Vendor.

In the event that, during the continuance of this Lease, the Lessee becomes liable for the payment or reimbursement of any Imposition, pursuant to this § 6, such liability shall continue, notwithstanding the expiration of

this Lease, until all such Impositions are paid or reimbursed by the Lessee.

To the extent the Lessee may be prohibited by law from performing in its own name the duties required by this § 6, the Lessor hereby authorizes the Lessee to act in the Lessor's own name and on the Lessor's behalf to perform such duties (but only with counsel reasonably satisfactory to the Lessor); provided, however, that the Lessee shall indemnify and hold the Lessor harmless from and against any and all claims, costs, expenses, damages, losses and liabilities incurred in connection therewith as a result of, or incident to, any action by the Lessee pursuant to this authorization.

The Lessee shall, whenever reasonably requested by the Lessor, submit to the Lessor copies of returns, statements, reports, billings and remittances, or furnish other evidence satisfactory to the Lessor of the Lessee's performance of its duties under this § 6. The Lessee shall also furnish promptly upon request such data as the Lessor may reasonably require to permit the Lessor's compliance with the requirements of taxing jurisdictions.

§ 7. Maintenance, Casualty Occurrences, Insurance and Termination. (a) The Lessee agrees that, at its own cost and expense, it will maintain and keep each Unit which is subject to this Lease in good operating order, repair and condition.

(b) In the event that any Unit shall be or become worn out, lost, stolen, destroyed, or irreparably damaged, from any cause whatsoever, returned to the Builder pursuant to the patent indemnity provisions of the CSA, or taken or requisitioned by condemnation or otherwise resulting in loss of possession by the Lessee for a period of 90 consecutive days, except requisition for use by the United States Government (any such occurrence being hereinafter called a "Casualty Occurrence"), prior to the return of such Unit in the manner set forth in § 14 hereof, the Lessee shall promptly and fully notify the Lessor and the Vendor with respect thereto. On the rental payment date next succeeding such notice (the "Casualty Date"), the Lessee shall pay to the Lessor an amount equal to the rental payment or payments in respect of such Unit due and payable on such date plus a sum equal to the Casualty Value (as defined in the next paragraph) of such Unit as of the

date of such payment in accordance with the schedule referred to below. Upon the making of such payment by the Lessee in respect of any Unit, the rental for such Unit shall cease to accrue, the term of this Lease as to such Unit shall terminate and (except in the case of the loss, theft, complete destruction or return to the Builder of such Unit) the Lessor shall be entitled to recover possession of such Unit. The Lessor hereby appoints the Lessee its agent to dispose of any Unit suffering a Casualty Occurrence or any component thereof, at the best price obtainable under the circumstances on an "as is, where is" basis. Provided that the Lessee has previously paid the Casualty Value to the Lessor, the Lessee shall be entitled to the proceeds of such sale (after deduction of all selling costs) to the extent they do not exceed the Casualty Value of such Unit, and shall pay any excess to the Lessor. The Lessee shall be entitled to credit against the Casualty Value payable in respect of any Unit returned to the Builder pursuant to the patent indemnity provisions of the CSA in an amount equal to any payment made by the Builder to the Lessor in respect thereof under the CSA.

The Casualty Value of each Unit as of the payment date on which payment is to be made as aforesaid shall be that percentage of the Purchase Price of such Unit as is set forth in Schedule B hereto opposite such date.

Whenever any Unit shall suffer a Casualty Occurrence after termination of this Lease and before such Unit shall have been returned in the manner provided in § 14 hereof, the Lessee shall promptly and fully notify the Lessor with respect thereto and pay to the Lessor an amount equal to the Casualty Value of such Unit, which shall be an amount equal to 55.72901% of the Purchase Price of such Unit, or, in the case of Units suffering a Casualty Occurrence after termination of a renewal term (as provided in § 13 hereof), such other percentage of the Purchase Price as shall be agreed.

(c) In the event of the requisition for use by the United States Government (the "Government") of any Unit during the term of this Lease or any renewal thereof all the Lessee's obligations under this Lease with respect to such Unit shall continue to the same extent as if such requisition had not occurred, except that if such Unit is returned by the Government at any time after the end of the term of this Lease or any renewal thereof, the Lessee shall be obligated to return such Unit to the Lessor pursuant to § 11 or 14 hereof, as the case may be, promptly upon such return by the Government rather than at the end of the term

of this Lease or any renewal thereof, but the Lessee shall in all other respects comply with the provisions of said § 11 or 14, as the case may be, with respect to such Unit. All payments received by the Lessor or the Lessee from the Government for the use of such Unit during the term of this Lease or any renewal thereof shall be paid over to, or retained by, the Lessee provided no Event of Default (or other event which after notice or lapse of time or both would become an Event of Default) shall have occurred and be continuing; and all payments received by the Lessor or the Lessee from the Government for the use of such Unit after the term of this Lease or any renewal thereof, shall be paid over to, or retained by, the Lessor.

(d) Except as hereinabove in this § 7 provided, the Lessee shall not be released from its obligations hereunder in the event of, and shall bear the risk of, any Casualty Occurrence to any Unit from and after delivery and acceptance thereof by the Lessee hereunder.

From the time any Unit is accepted by the Lessee to the end of the term of this Lease, Lessee shall:

(i) at its option, either provide insurance coverage for, or self assume, in whole or in part, the risks of actual or constructive loss or damage to one or more of the Units up to the Casualty Value thereof, and

(ii) provide adequate public liability insurance (in limits of at least $50,000,000) for personal injuries, death, or property damage resulting from the ownership, maintenance, use or operation of the Units.

Each of the insurance policies providing said coverage shall:

(i) name the Lessor and the Vendor as additional insureds as their respective interests may appear;

(ii) as between Lessee and Lessor and Vendor all such insurance shall be primary insurance and not excess over any other coverage which Lessor or Vendor, or both, may have; provided, however, that nothing herein shall be deemed to require Lessee's insurance carriers to provide coverage for, or otherwise indem-

nify Lessor or Vendor for, any losses caused respectively by Lessor's or Vendor's own actions or negligence; and

(iii) provide that the policy may not be canceled or materially altered without 30 days' prior written notice to the Lessor and the Vendor.

The Lessee shall provide the Lessor and the Vendor with a certificate or certificates evidencing the aforesaid coverage prior to the first Closing Date (as defined in the CSA).

In the event of failure on the part of the Lessee to provide and furnish any of the aforesaid insurance, the Lessor or the Vendor, upon notice to the Lessee, may, but shall not be obligated to, procure such insurance and the Lessee shall, upon demand, reimburse the Lessor and the Vendor for all expenditures made by the Lessor or the Vendor for such insurance, together with interest thereon computed at the maximum rate of interest permitted by law, but no more than 15% per annum, from the date of the Vendor's or the Assignee's payment until reimbursed by the Lessee.

(e) If the Lessor shall receive any insurance proceeds from insurance maintained by the Lessee pursuant hereto or condemnation payments in respect of a Unit suffering a Casualty Occurrence, the Lessor shall, subject to the Lessee having made payment of the Casualty Value in respect of such Unit, pay such proceeds or condemnation payments to the Lessee up to an amount equal to the Casualty Value paid by the Lessee, and any balance of such proceeds or condemnation payments shall remain the property of the Lessor. All insurance proceeds received by the Lessor in respect of any Unit not suffering a Casualty Occurrence shall be paid to the Lessee upon Lessee's notification to the Lessor that any damage to such Unit in respect of which such proceeds were paid has been fully repaired.

(f) In the event that the Lessee shall, in its reasonable judgment, determine that any Group (as hereinafter defined) of Units has become surplus to its need or obsolete in the Lessee's business, the Lessee shall have the right, at its option and on at least 90 days' prior written notice to the Lessor, to terminate (herein called

either a "Surplus Termination" or an "Obsolescence Termination" as the case may be) this Lease as to such Group as of any succeeding rent payment date specified in such notice (the "Termination Date"); provided, however, that (i) the Termination Date shall not be earlier than January 1, 1992, (ii) no Event of Default or other event which after the lapse of time or notice or both would become an Event of Default shall have occurred and be continuing and (iii) on the Termination Date each Unit in such Group shall be in the same condition as if being redelivered pursuant to § 14 hereof. For this purpose, the term "Group of Units" shall mean all Units with the same Builder's Specifications (as set forth in Schedule A hereto) subject to this Lease at the Termination Date.

During the period from the 30th day after the giving of such notice until the fifth business day preceding the Termination Date, the Lessee shall use its best efforts to obtain bids for the purchase of all Units in such Group, and the Lessee shall at least five business days prior to such Termination Date certify to the Lessor the amount of each such bid and the name and address of the party (which shall not be a corporation or individual affiliated with the Lessee or any party from whom the Lessee or any such affiliate intends thereafter to lease such Unit) submitting such bid. On the Termination Date the Lessor shall sell all Units in such Group for cash to the bidder who shall have submitted the highest bid prior to the Termination Date. The total sale price realized at each such sale shall be applied to the prepayment of the CSA Indebtedness in accordance with Article 7 of the CSA and any balance shall be retained by the Lessor.

On such Termination Date, the Lessee shall pay to the Lessor (i) the excess, if any, of the Termination Value for each such Unit computed as of such date over the sale price of such Unit after the deduction of all expenses incurred by the Lessor in connection with such sale, (ii) the rental payment due on such Termination Date and (iii) in the case of a Surplus Termination, an amount equal to the prepayment premium, if any, payable pursuant to Article 7 of the CSA on such date in respect of the CSA Indebtedness to be prepaid by the Lessor on such date. The Termination Value of each such Unit as of the payment date on which payment is to be made shall be that percentage of the Purchase Price of such Unit as is set forth in Schedule C hereto opposite such date. In no event shall the aggre-

gate amount retained by the Lessor and received by the Lessor as aforesaid be less than the Termination Value (as defined in the CSA) as of such date.

If no sale shall occur on the date scheduled therefor as provided above, this Lease shall continue in full force and effect without change unless and until the Lessee pays to the Lessor the Termination Value of each Unit subject to the Termination and returns each such Unit to the Lessor pursuant to § 14 hereof; provided, however, that this Lease shall not terminate as to any such Unit unless the CSA Indebtedness in respect of such Unit is prepaid on the Termination Date pursuant to Article 7 of the CSA.

In the event of any such sale and the receipt by the Lessor of the amounts above described, the obligation of the Lessee to pay rent pursuant to § 3 hereof in respect of such Unit on each rental payment date shall continue to and including the Termination Date but shall then terminate. The Lessor shall be under no duty to solicit bids, to inquire into the efforts of the Lessee to obtain bids or otherwise to take any action or incur any cost or expense in connection with any sale other than to transfer or to cause to be transferred all the Lessor's right, title and interest in and to such Unit to the purchaser named in the highest bid certified by the Lessee to the Lessor as above provided. Any such sale shall be free and clear of all the Lessee's rights to such Unit, but otherwise shall be made without warranties other than against the Lessor's acts.

If the Lessee shall exercise its option to terminate as to any Unit, the Lessor may, notwithstanding such election by the Lessee, by written notice to the Lessee given 90 days after the termination notice is given to the Lessor, elect to retain such Unit, in which case the Lessee shall not be obligated to pay the Termination Value to the Lessor; provided, however, that this Lease shall not terminate as to such Unit unless the CSA Indebtedness in respect of such Unit is prepaid on the Termination Date pursuant to Article 7 of the CSA. In the event the Lessor shall so elect to retain such Unit, the Lessee shall deliver such Unit to the Lessor in accordance with the provisions of § 14 hereof.

§ 8. Reports. On or before April 30 in each

year, commencing with the calendar year 1982, the Lessee will furnish to the Lessor and the Vendor an accurate statement (a) setting forth as at the preceding December 31 the amount, description and numbers of all Units then leased hereunder and covered by the CSA, the amount, description and numbers of all Units that have suffered a Casualty Occurrence during the preceding calendar year or are then undergoing repairs (other than running repairs) or then withdrawn from use pending such repairs (other than running repairs) and such other information regarding the condition and state of repair of the Units as the Lessor or the Vendor may reasonably request and (b) stating that, in the case of all Units repainted or repaired during the period covered by such statement, the numbers and markings required by § 5 hereof and by the CSA have been preserved or replaced. In furnishing the portion of any such statement referred to in (a) above, the Lessee may, to the extent reasonably appropriate, incorporate information by reference to another document; provided, however, that a copy of any incorporated document (or relevant portions thereof) shall also be furnished to the Lessor and the Vendor with any such statement. The Lessor, at its sole cost and expense, and subject to Lessee's applicable secrecy, safety and security regulations for the property involved, shall have the right by its agents, to inspect the Units and the Lessee's records with respect to matters reasonably related hereto at such reasonable times as the Lessor may request during the continuance of this Lease.

§ 9. Disclaimer of Warranties; Compliance with Laws and Rules; Indemnification. THE LESSOR MAKES NO WARRANTY OR REPRESENTATION, EITHER EXPRESS OR IMPLIED, AS TO THE DESIGN OR CONDITION OF, OR AS TO THE QUALITY OF THE MATERIAL, EQUIPMENT OR WORKMANSHIP IN, THE UNITS DELIVERED TO THE LESSEE HEREUNDER, AND THE LESSOR MAKES NO WARRANTY OF MERCHANTABILITY OR FITNESS OF THE UNITS FOR ANY PARTICULAR PURPOSE OR AS TO TITLE TO THE UNITS OR ANY COMPONENT THEREOF, OR ANY OTHER REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, WITH RESPECT TO ANY UNIT, EITHER UPON DELIVERY THEREOF TO THE LESSEE OR OTHERWISE, it being agreed that all such risks, as between the Lessor and the Lessee, are to be borne by the Lessee; but the Lessor hereby irrevocably appoints and constitutes the Lessee its agent and attorney-in-fact during the term of this Lease to assert and enforce from time to time, in the name of and for the account of the Lessor and/or the Lessee, as their interests may appear, at the Lessee's sole cost and expense, whatever claims and rights the Lessor may have against any Builder under the provisions of Items 3 and 4

of Annex A of the CSA and any proceeds received by the Lessor in respect thereof shall be immediately paid over to the Lessee; provided, however, that if at any time an Event of Default shall have occurred and be continuing, the Lessor may upon written notice to the Lessee assert and enforce, at the Lessee's sole cost and expense, such claims and rights and receive the benefits of any such proceeds. The Lessor shall have no responsibility or liability to the Lessee or any other person with respect to any of the following: (i) any liability, loss or damage caused or alleged to be caused directly or indirectly by any Units or by any inadequacy thereof or deficiency or defect therein or by any other circumstances in connection therewith; (ii) the use, operation or performance of any Units or any risks relating thereto; (iii) any interruption of service, loss of business or anticipated profits or consequential damages; or (iv) the delivery, operation, servicing, maintenance, repair, improvement or replacement of any Units. The Lessee's delivery of a Certificate of Acceptance shall be conclusive evidence as between the Lessee and the Lessor that the Units described therein are in all the foregoing respects satisfactory to the Lessee, and the Lessee will not assert any claim of any nature whatsoever against the Lessor based on any of the foregoing matters.

The Lessee shall notify Lessor of, and shall, at the Lessee's sole cost and expense, make or provide all improvements, alterations, modifications, additions, attachments, or other equipment, or changes (hereinafter collectively called "Improvements") to the Units or any of them deemed necessary or desirable by any Federal, state or local governmental body or agency or the interchange rules of the Association of American Railroads (hereinafter called "legally required Improvements"). Any legally required Improvement and any other Improvements which are not readily removable without causing material damage to a Unit (hereinafter called "nonseverable Improvements") shall be and immediately become the property of Lessor and subject to the terms of the Lease. So long as Lessee is not in default hereunder, Lessee may, upon notice to Lessor, at Lessee's sole cost and expense, make other nonseverable Improvements to a Unit, which are not legally required Improvements; provided, however, that (1) the value of the Unit is not reduced thereby, (2) such Improvements will not cause the Unit to become limited use property, or materially alter or reduce its general usefulness, (3) such Improvements will not increase the productivity or capacity of the Unit in excess of 25% and (4) the cumulative deflated cost (as defined in Rev. Proc.

79-48) of any and all such nonseverable Improvements, exclusive of any legally required Improvements involving compliance with health, safety and environmental standards, does not exceed 10% of the Lessor's cost of each Unit. So long as Lessee is not in default hereunder, Lessee may, upon notice to Lessor, at Lessee's sole cost and expense, make other readily removable Improvements to a Unit provided that such Improvements do not cause material damage to the Unit or reduce its value or general usefulness. Any such readily removable Improvements shall remain the property of Lessee and be removed by Lessee, at its expense, upon or prior to return of any Unit to the Lessor pursuant to § 11 or § 14 hereof, and if not so removed by Lessee may be removed by Lessor without liability to Lessee therefor. Any and all costs of removal and repair shall be for Lessee's account. Lessor is hereby granted a security interest in and to any such readily removable Improvements to secure all of Lessee's obligations hereunder. Nothing herein shall be deemed to preclude Lessor and Lessee from negotiating the lease financing hereunder (including Improvement Financing as provided in Paragraph 2 of the Participation Agreement) for any proposed Improvements.

The Lessee agrees to indemnify, protect and hold harmless the Lessor and the Vendor from and against all losses, damages, injuries, liabilities, (including, without limitation, strict liability in tort) claims and demands whatsoever, regardless of the cause thereof, and expenses in connection therewith, including, but not limited to, counsel fees and expenses, patent liabilities, penalties and interest, arising out of or as the result of the entering into or the performance of, or the occurrence of a default, an event of default or an Event of Default under, the CSA, the Participation Agreement or this Lease, the ownership of any Unit, the ordering, acquisition, use, operation, condition, purchase, delivery, rejection, storage or return of any Unit or any accident in connection with the operation, use, condition, possession, storage or return of any Unit resulting in damage to property or injury or death to any person, except as otherwise provided in § 14 of this Lease or the transfer of title to the Equipment by the Vendor pursuant to any provision of the CSA. The indemnities arising under this paragraph shall continue in full force and effect notwithstanding the full payment of all other obligations under this Lease or the expiration or termination of the term of this Lease. To the extent the Lessee is required to provide protection or indemnification hereunder, the Lessee may select counsel (which will be reasonably acceptable to the Lessor) and direct counsel's actions in respect thereof.

The indemnities contained in this § 9 shall not extend to any loss, damage, injury, liability, claim, demand, cost, charge or expense incurred by any indemnified party (a) caused by the wilful misconduct or gross negligence of such indemnified party, (b) resulting from acts or events with respect to any Unit which commence after such Unit has been returned to the Lessor in accordance with § 14 hereof, (c) caused by the violation by such indemnified party of any banking, investment, insurance or securities law, rule or regulation applicable to it (unless such violation shall be the result of any written misrepresentation, violation or act of the Lessee), (d) arising from the breach of an express duty, obligation, representation or warranty of such indemnified party made herein or in any of the documents related to the transactions contemplated hereby, or (e) which is related to the lien, charge, security interest or other encumbrance which the Lessee is not required by § 12 hereof to discharge or in any of the other documents related to the transactions contemplated hereby to be borne by such indemnified party.

Upon request by the Lessor, the Lessee will prepare and deliver to the Lessor within a reasonable time prior to the required date of filing (or, to the extent permissible, file on behalf of the Lessor) any and all reports (other than tax returns except as required by the provisions of § 6 hereof) to be filed by the Lessor with any Federal, state or other regulatory authority by reason of the ownership by the Lessor or the Vendor of the Units or the leasing thereof to the Lessee.

§ 10. Default. If, during the continuance of this Lease, one or more of the following events (each such event being herein sometimes called an "Event of Default") shall occur:

A. default shall be made in payment of any amount provided for in § 3, 7 or 13 hereof, and such default shall continue for 10 days;

B. the Lessee shall make or permit any unauthorized assignment or transfer of this Lease, or any interest herein, or of the right to possession of the Units, or any thereof;

C. default shall be made in the observance or performance of any other of the covenants, conditions and agreements on the part of the Lessee contained

herein or in the Participation Agreement or in the Indemnity Agreement, and such default shall continue for 25 days after written notice from the Lessor or the Vendor to the Lessee specifying the default and demanding that the same be remedied;

D. any representation or warranty made by the Lessee herein or in the Participation Agreement or in the Indemnity Agreement or in any certificate or statement furnished to the Lessor pursuant to or in connection with any such agreements proves untrue in any material respect as of the date of issuance or making thereof;

E. any proceedings shall be commenced by or against the Lessee for any relief which includes, or might result in, any modification of the obligations of the Lessee under this Lease, the Participation Agreement or the Consent, under any bankruptcy or insolvency laws, or laws relating to the relief of debtors, readjustments of indebtedness, reorganizations, arrangements, compositions or extensions (other than a law which does not permit any readjustments of the obligations of the Lessee hereunder) and, unless such proceedings shall have been dismissed, nullified, stayed or otherwise rendered ineffective (but then only so long as such stay shall continue in force or such ineffectiveness shall continue), all the obligations of the Lessee under this Lease, the Participation Agreement and the Consent shall not have been and shall not continue to have been duly assumed in writing, pursuant to a court order or decree, by a trustee or trustees or receiver or receivers appointed in such proceedings in such manner that such obligations shall have the same status as obligations incurred by such a trustee or trustees or receiver or receivers, within 60 days after such proceedings shall have been commenced; or

F. an event of default set forth in Article 15 of the CSA shall have occurred as a result of any default by the Lessee in performing any of its obligations hereunder or under the Consent;

then, in any such case, the Lessor, at its option, may:

(a) proceed by appropriate court action or

actions either at law or in equity, to enforce performance by the Lessee of the applicable covenants of this Lease or to recover damages for the breach thereof; or

(b) by notice in writing to the Lessee (specifically identifying the Event of Default) terminate this Lease, whereupon all rights of the Lessee to the use of the Units shall absolutely cease and terminate as though this Lease had never been made, but the Lessee shall remain liable as herein provided; and thereupon the Lessor may by its agents enter upon the premises of the Lessee or other premises where any of the Units may be and take possession of all or any of such Units and thenceforth hold, possess, sell, operate, lease to others and enjoy the same free from any right of the Lessee, or its successors or assigns, to use the Units for any purposes whatever and without any duty to account to the Lessee for such action or inaction but applying any proceeds (net of expenses as determined by the Lessor) arising therefrom against the liabilities of the Lessee herein; but the Lessor shall, nevertheless, have a right to recover from the Lessee any and all amounts which under the terms of this Lease may be then due or which may have accrued to the date of such termination (computing the rental for any number of days less than a full rental period by multiplying the rental for such full rental period by a fraction of which the numerator is such number of days and the denominator is the total number of days in such full rental period) and also to recover forthwith from the Lessee as damages for loss of a bargain and not as a penalty, whichever of the following amounts the Lessor, in its sole discretion, shall specify: (x) a sum, with respect to each Unit, equal to the excess of the present value, at the time of such termination, of the entire unpaid balance of all rental for such Unit which would otherwise have accrued hereunder from the date of such termination to the end of the term of this Lease as to such Unit over the then present value of the rental which the Lessor reasonably estimates to be obtainable for the Unit during such period, such present value to be computed in each case on the basis of a 5% per annum discount, compounded semiannually from the respective dates upon which rentals would have been payable

hereunder had this Lease not been terminated or (y) an amount equal to the excess, if any, of the Casualty Value as of the rental payment date on or next preceding the date of termination over the amount the Lessor reasonably estimates to be the sales value of such Unit at such time; provided, however, that in the event the Lessor shall have sold any Unit, the Lessor, in lieu of collecting any amounts payable to the Lessor by the Lessee pursuant to the preceding clauses (x) and (y) of this subparagraph (b) with respect to such Unit, may, if it shall so elect, demand that the Lessee pay the Lessor and the Lessee shall pay to the Lessor on the date of such sale, as liquidated damages for loss of a bargain and not as a penalty, an amount equal to the excess, if any, of the Casualty Value for such Unit, as of the rental payment date on or next preceding the date of termination over the net proceeds of such sale.

In addition, the Lessee shall be liable, except as otherwise provided above, for any and all unpaid amounts due hereunder before, during or after the exercise of any of the foregoing remedies and for all reasonable attorneys' fees and other costs and expenses incurred by reason of the occurrence of any Event of Default or the exercise of any of the foregoing remedies and for all reasonable attorneys' fees and other costs and expenses incurred by reason of the occurrence of any Event of Default or the exercise of the Lessor's remedies with respect thereto, including all costs and expenses incurred in connection with the return of any Unit.

The remedies in this Lease provided in favor of the Lessor shall not be deemed exclusive, but shall be cumulative and may be exercised concurrently or consecutively, and shall be in addition to all other remedies in its favor existing at law or in equity. The Lessee hereby waives any mandatory requirements of law, now or hereafter in effect, which might limit or modify the remedies herein provided, to the extent that such waiver is not, at the time in question, prohibited by law. The Lessee hereby waives any and all existing or future claims to any offset against the rental payments due hereunder, and agrees to make such payments regardless of any offset or claim which may be asserted by the Lessee or on its behalf.

The failure of the Lessor to exercise the rights granted it hereunder upon the occurrence of any of the contingencies set forth herein shall not constitute a waiver of any such right upon the continuation or recurrence of any such contingencies or similar contingencies.

The Lessee agrees to furnish the Vendee and the Vendor, promptly upon any responsible officer becoming aware of any condition which constituted or constitutes an Event of Default under this Lease or which, after notice or lapse of time, or both, would constitute such an Event of Default, written notice specifying such condition and the nature and status thereof. For the purposes of this paragraph, a "responsible officer" shall mean, with respect to the subject matter of any covenant, agreement or obligation of the Lessee in this Lease contained, any corporate officer of the Lessee who, in the normal performance of his operational responsibilities, would have knowledge of such matter and the requirements of this Lease with respect thereto.

§ 11. Return of Units upon Default. If this Lease shall terminate pursuant to § 10 hereof, the Lessee shall forthwith deliver possession of the Units to the Lessor. Each Unit so delivered shall be in the same operating order, repair and condition as when originally delivered to the Lessee, reasonable wear and tear excepted, and meet the standards then in effect of the Interchange Rules of the Association of American Railroads and/or the applicable rules of any governmental agency or other organization with jurisdiction. For the purpose of delivering possession of any Unit or Units to the Lessor as above required, the Lessee shall at its own cost, expense and risk:

(a) forthwith and in the usual manner (including, but not by way of limitation, giving prompt telegraphic and written notice to the Association of American Railroads and all railroads to which any Unit or Units have been interchanged to return the Unit or Units so interchanged) place such Units upon such storage tracks of the Lessee or any of its affiliates or, at the expense of the Lessee, on any other storage tracks, as the Lessor reasonably may designate;

(b) permit the Lessor to store such Units on

such tracks at the risk of the Lessee without charge for insurance, rent or storage until such Units have been sold, leased or otherwise disposed of by the Lessor; and

(c) transport the same to any place on any lines of railroad or to any connecting carrier for shipment, all as directed by the Lessor.

The assembling, delivery, storage, insurance and transporting of the Units as hereinbefore provided shall be at the expense and risk of the Lessee and are of the essence of this Lease, and upon application to any court of equity having jurisdiction in the premises the Lessor shall be entitled to a decree against the Lessee requiring specific performance of the covenants of the Lessee so to assemble, deliver, store and transport the Units. During any storage period, the Lessee will, at its own cost and expense, insure, maintain and keep the Equipment in good order and repair and will permit the Lessor or any person designated by it, including the authorized representative or representatives of any prospective purchaser or lessee of any such Unit, to inspect the same. All amounts earned in respect of the Units after the date of termination of this Lease shall belong to the Lessor and, if received by the Lessee, shall be promptly turned over to the Lessor. In the event any Unit is not assembled, delivered and stored, as hereinabove provided, within 60 days after such termination, the Lessee shall, in addition, pay to the Lessor for each day thereafter an amount equal to the amount, if any, by which .035651% of the Purchase Price of such Unit for each such day exceeds the actual earnings received by the Lessor on such Unit for each such day.

Without in any way limiting the obligation of the Lessee under the foregoing provisions of this § 11, the Lessee hereby irrevocably appoints the Lessor as the agent and attorney of the Lessee, with full power and authority, at any time while the Lessee is obligated to deliver possession of any Unit to the Lessor, to demand and take possession of such Unit in the name and on behalf of the Lessee from whomsoever shall be in possession of such Unit at the time.

§ 12. Assignment; Possession and Use. This Lease shall be assignable in whole or in part by the

Lessor to the Vendor or, with the consent of the Investors (which consent shall not unreasonably be withheld), to other institutional investors, but the Lessee shall be under no obligation to any assignee of the Lessor except upon written notice of such assignment from the Lessor. All the rights of the Lessor hereunder (including, but not limited to, the rights under §§ 6, 7, 9 and 10 and the rights to receive the rentals payable under this Lease) shall inure to the benefit of the Lessor's assigns including the Vendor, except as may be limited in any assignment thereof.

So long as the Lessee shall not be in default under this Lease the Lessee shall be entitled to the possession and use of the Units in accordance with the terms of this Lease but, without the prior written consent of the Lessor and the Vendor, neither of which shall be unreasonably withheld, the Lessee shall not assign or transfer its leasehold interest under this Lease in the Units or any of them except, and then only so long as the Lessee shall not then be in default under this Lease (and subject to this Lease and to the rights of the Lessor hereunder, and without releasing the Lessee from its obligations hereunder), to an Affiliate, or under a written sublease to a railroad classified by the Interstate Commerce Commission as a Class I railroad or to a responsible company, as determined by the Lessee, subject in each case to the written consent of the Lessor and the Vendor, neither of which shall be unreasonably withheld; and the Lessee shall not, without such written consent, except as provided in this § 12 part with the possession of, or suffer or allow to pass out of its possession or control, any of the Units. For the purpose of this § 12, "Affiliate" shall mean any corporation which, directly or indirectly, controls or is controlled by, or is under common control with, the Lessee. For the purposes of this definition, "control (including controlled by and under common control with)", as used with respect to any corporation, shall mean the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such corporation, whether through the ownership of voting securities or by contract or otherwise. Every such sublease shall expressly subject the rights of the sublessee under such sublease to the rights of the Lessor in respect of the Units covered by such sublease

in the event of the happening of an Event of Default. The Lessee, at its own expense, will promptly pay or discharge any and all sums claimed by any party which, if unpaid, might become a lien, charge, security interest or other encumbrance (other than an encumbrance created by the Lessor or the Vendor or resulting from claims against the Lessor or the Vendor not related to the ownership of the Units) upon or with respect to any Unit or the interest of the Lessor, the Vendor or the Lessee therein, and will promptly discharge any such lien, claim, security interest or other encumbrance which arises. The Lessee shall not, without the prior written consent of the Lessor, part with the possession or control of, or suffer or allow to pass out of its possession or control, any of the Units, except to the extent permitted by the provisions of the immediately succeeding paragraph.

So long as the Lessee shall not be in default under this Lease, the Lessee shall be entitled to the possession of the Units and to the use of the Units by it or any Affiliate upon lines of railroad owned or operated by it or any such Affiliate or upon lines over which the Lessee or any such Affiliate has or obtains trackage or other operating rights or over which railroad equipment of the Lessee or any such Affiliate is regularly operated pursuant to contract, and also to permit the use of the Units upon connecting and other carriers in the usual interchange of traffic or pursuant to run-through agreements, but only upon and subject to all the terms and conditions of this Lease; provided, however, that the Lessee shall not assign or permit the assignment of any Unit to service involving the regular operation and maintenance thereof outside the United States of America. The Lessee may receive and retain compensation for such use from other railroads so using any of the Units.

Nothing in this § 12 shall be deemed to restrict the right of the Lessee to assign or transfer its leasehold interest under this Lease in the Units or possession of the Units to any corporation incorporated under the laws of any state of the United States of America or the District of Columbia (which shall have duly assumed the obligations of the Lessee hereunder and under the Participation Agreement and the Consent (as defined in the CSA)) into or with which the Lessee shall have become merged or consolidated or which shall have acquired the property of the Lessee as an entirety or substantially as an entirety,

provided that such assignee or transferee will not, upon the effectiveness of such merger, consolidation or acquisition, be in default under any provision of this Lease.

§ 13. Renewal Option and Right of First Refusal. Provided that this Lease has not been earlier terminated and the Lessee is not in default hereunder, the Lessee may by written notice delivered to the Lessor not less than 60 days prior to the end of the original term elect to extend the term of this Lease in respect of all (but not fewer than all) the Units in any Group of Units (as defined in § 7 hereof) then covered by this Lease, for one additional five-year period commencing on the scheduled expiration of the original term at a semi-annual rental of 2.916852% of the Purchase Price of each Unit then subject to this Lease, payable in semiannual payments on each semiannual anniversary of the original term.

Provided that this Lease has not been earlier terminated and the Lessee is not in default hereunder, in the event the Lessor elects to sell any Units to third parties within a period of one year after the expiration of the original or any extended term of this Lease, the Lessee shall be given 60 days' prior written notice of such intention prior to the expiration of such period. In the event that during such one-year period the Lessor shall receive a bona fide offer from another party unrelated to the Lessee to purchase the Units and the Lessor elects to sell the Units pursuant to such offer, the Lessor shall give prompt written notice to the Lessee of such offer. Such notice shall include the price and the terms and conditions of payment offered by the other party to the Lessor. The Lessee shall have the sole right and option to purchase the Units for cash at the price at which the Units are proposed to be sold or under the other terms and conditions of payment offered by the other party. The Lessee may exercise such purchase right by delivery to the Lessor of a written notice within 15 days of receipt of notice of the proposed sale from the Lessor specifying a date of purchase, which date shall not be later than 20 days after the date of delivery of such notice by the Lessee to the Lessor.

§ 14. Return of Units upon Expiration of Term. As soon as practicable but not longer than 60 days after

the expiration of the original or extended term of this Lease, the Lessee will, at its own cost and expense, at the request of the Lessor, deliver possession of each Unit to the Lessor upon such storage tracks of the Lessee (at not more than three locations) as the Lessee may designate and permit the Lessor to store such Unit on such tracks for a period not exceeding 90 days and transport the same, at any time within such 90-day period, to the nearest railroad interconnection, all as directed by the Lessor, the movement and storage of such Units to be at the expense and risk of the Lessee. During any such storage period the Lessee will, at its own cost and expense, insure, maintain and keep each Unit in good order and repair and will permit the Lessor or any person designated by it, including the authorized representative or representatives of any prospective purchaser, lessee or user of such Unit, to inspect the same; provided, however, that the Lessee shall not be liable, except in the case of negligence of the Lessee or of its employees or agents, for any injury to, or the death of, any person exercising, either on behalf of the Lessor or any prospective purchaser, lessee or user, the rights of inspection granted under this sentence. Each Unit returned to the Lessor pursuant to this § 14 shall (i) be in the same operating order, repair and condition as when originally delivered to the Lessee, reasonable wear and tear excepted, and (ii) meet the standards in effect upon the expiration of this Lease under the Interchange Rules of the Association of American Railroads and/or the applicable rules of any governmental agency or other organization with jurisdiction. The assembling, delivery, storage and transporting of the Units as hereinbefore provided are of the essence of this Lease, and upon application to any court of equity having jurisdiction in the premises, the Lessor shall be entitled to a decree against the Lessee requiring specific performance of the covenants of the Lessee so to assemble, deliver, store and transport the Units. All amounts earned in respect of the Units after the date of termination of this Lease shall belong to the Lessor and, if received by the Lessee, shall be promptly turned over to the Lessor.

§ 15. Recording. The Lessee, at its own expense, will cause this Lease, the CSA and any assignment hereof or thereof to be filed and recorded with the Interstate Commerce Commission pursuant to 49 U.S.C. § 11303. The Lessee will undertake the filing, registering, deposit, and recording required of the Lessor under the CSA and will from time to time do and perform any other act and will execute, acknowl-

edge, deliver, file, register, record (and will refile, reregister, deposit and redeposit or rerecord whenever required) any and all further instruments required by law or reasonably requested by the Lessor or the Vendor for the purpose of proper protection, to their satisfaction, of the Vendor's and the Lessor's respective interests in the Units, or for the purpose of carrying out the intention of this Lease, the CSA and the assignment thereof to the Vendor; and the Lessee will promptly furnish to the Vendor and the Lessor evidence of all such filing, registering, depositing or recording, and an opinion or opinions of counsel for the Lessee with respect thereto satisfactory to the Vendor and the Lessor. This Lease and the CSA shall be filed and recorded with the Interstate Commerce Commission prior to the delivery and acceptance hereunder of any Unit.

§ 16. Interest on Overdue Rentals. Anything to the contrary herein contained notwithstanding, any nonpayment of rentals and other obligations due hereunder shall result in the obligation on the part of the Lessee promptly to pay, to the extent legally enforceable, an amount equal to the greater of (a) 15% per annum or (b) the rate per annum equal to the fluctuating base rate charged by The Security Pacific Bank for 90-day loans to substantial and responsible commercial borrowers as such base rate shall change from time to time, each change in such rate to become effective on the effective date of each change in such base rate as announced by such Bank, on the overdue rentals and other obligations for the period of time during which they are overdue or such lesser amount as may be legally enforceable.

§ 17. Notices. Any notice required or permitted to be given by either party hereto to the other shall be in writing and effective upon delivery, addressed as follows:

(a) if to the Lessor, at One Embarcadero Center, San Francisco, California 94111, Attention of Manager, Operations Department--LEV;

(b) if to the Lessee, at 2020 Dow Center, Midland, Michigan 48640, Attention of Treasurer-Dow Chemical, U.S.A.;

or addressed to either party at such other address as such party shall hereafter furnish to the other party in writing. Copies of each such notice shall be given to the Vendor at Two Hopkins Plaza, Baltimore, Maryland 21203, attention of

Corporate Trust Department.

§ 18. Severability; Effect and Modification of Lease. Any provision of this Lease which is prohibited or unenforceable in any jurisdiction, shall be, as to such jurisdiction, ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

Except for the Participation Agreement and the Indemnity Agreement, this Lease exclusively and completely states the rights and obligations of the Lessor and the Lessee with respect to the leasing of the Units and supersedes all other agreements, oral or written, with respect thereto. No variation or modification of this Lease and no waiver of any of its provisions or conditions shall be valid unless in writing and signed by duly authorized signatories for the Lessor and the Lessee.

§ 19. Execution. This Lease may be executed in several counterparts, such counterparts together constituting but one and the same instrument, but the counterpart delivered to the Vendor pursuant to the Lease Assignment shall be deemed to be the original, and all other counterparts shall be deemed duplicates thereof. Although for convenience this Lease is dated as of the date first set forth above, the actual date or dates of execution hereof by the parties hereto is or are, respectively, the date or dates stated in the acknowledgments hereto annexed.

§ 20. Law Governing. The terms of this Lease and all rights and obligations hereunder shall be governed by the laws of the State of Michigan; provided, however, that the parties shall be entitled to all rights conferred by 49 U.S.C. § 11303.

§ 21. No Guarantee of CSA Indebtedness or Residual Value. Nothing in this Agreement is intended or shall be construed to constitute a guarantee by the Lessee of the CSA Indebtedness of the Vendee under the CSA or a guarantee of the residual value of any Unit.

IN WITNESS WHEREOF, the parties hereto have executed or caused this instrument to be executed as of the

date first above written.

THE DOW CHEMICAL COMPANY,

by

_____

[Corporate Seal]

Attest:

_____
Assistant Secretary

SECURITY PACIFIC EQUIPMENT
LEASING, INC.,

by

_____

[Corporate Seal]

Attest:

_____
Secretary

STATE OF MICHIGAN,)
) ss.:
COUNTY OF MIDLAND,)

On this day of 1981 before me personally appeared , to me personally known, who, being by me duly sworn, says that he is the Vice President of THE DOW CHEMICAL COMPANY, that one of the seals affixed to the foregoing instrument is the corporate seal of said Corporation, that said instrument was signed and sealed on behalf of said Corporation by authority of its Board of Directors, and he acknowledged that the execution of the foregoing instrument was the free act and deed of said Corporation.

Notary Public

[Notarial Seal]

My Commission expires

STATE OF ,)
) ss.:
COUNTY OF ,)

On this day of 1981 before me personally appeared , to me personally known, who, being by me duly sworn, says that he is of SECURITY PACIFIC EQUIPMENT LEASING, INC., that one of the seals affixed to the foregoing instrument is the corporate seal of said Corporation and that said instrument was signed and sealed on behalf of said Corporation by authority of its Board of Directors and he acknowledged that the execution of the foregoing instrument was the free act and deed of said Corporation.

Notary Public

[Notarial Seal]

My Commission expires

SCHEDULE A TO LEASE

Specifications of the Equipment

Type	Builder	Quantity	Lessee's Identification Numbers (Both Inclusive)
100 ton CF 2980 Center-flow covered hopper cars	ACF Industries, Inc.	47	DOWX 2711-2757
100 ton 25,000 gal. tank cars	ACF Industries, Inc.	13	DOWX 8465-8477
15,950 gal. caustic soda tank cars	General American Transportation Corporation	55	DOWX 7030-7084
20,000 gal. ethanolamine tank cars	General American Transportation Corporation	7	DOWX 3264-3270
25,200 gal. ethylene oxide tank cars	General American Transportation Corporation	23	DOWX 8402-8424
28,800 gal. Muriatick Acid tank cars	Richmond Tank Car Company	18	DOWX 6856-6873

SCHEDULE B TO LEASE

Casualty Values

Payment Date	Percentage
1/1/82	112.22347
7/1/82	111.83654
1/1/83	115.43458
7/1/83	115.01005
1/1/84	117.89247
7/1/84	117.42183
1/1/85	119.64282
7/1/85	119.11399
1/1/86	120.72353
7/1/86	120.12580
1/1/87	121.17613
7/1/87	120.50116
1/1/88	121.04705
7/1/88	120.28919
1/1/89	120.38826
7/1/89	119.54488
1/1/90	119.25794
7/1/90	118.32980
1/1/91	117.72127
7/1/91	116.72379
1/1/92	114.70969
7/1/92	112.43050
1/1/93	110.13967
7/1/93	107.70203
1/1/94	105.19745
7/1/94	102.59357

Casualty Values

Payment Date	Percentage
1/1/95	99.90553
7/1/95	97.12444
1/1/96	94.24390
7/1/96	91.27059
1/1/97	88.18729
7/1/97	85.00653
1/1/98	81.70704
7/1/98	78.30236
1/1/99	74.76987
7/1/99	71.12396
1/1/2000	67.37684
7/1/2000	63.56617
1/1/01	59.67529
7/1/01	55.72901

SCHEDULE C TO LEASE

Termination Values

Payment Date	Percentage Surplus	Percentage Obsolete
1/1/1992	114.74740	114.70969
7/1/1992	112.46488	112.43050
1/1/1993	110.17094	110.13967
7/1/1993	107.73039	107.70203
1/1/1994	105.22308	105.19745
7/1/1994	102.61661	102.59357
1/1/1995	99.92612	99.90553
7/1/1995	97.14268	97.12444
1/1/1996	94.25990	94.24390
7/1/1996	91.28447	91.27059
1/1/1997	88.19915	88.18729
7/1/1997	85.01650	85.00653
1/1/1998	81.71525	81.70704
7/1/1998	78.30894	78.30236
1/1/1999	74.77474	74.76987
7/1/1999	71.12718	71.12396
1/1/2000	67.37871	67.37684
7/1/2000	63.56703	63.56617
1/1/2001	59.67551	59.67529
7/1/2001	55.72901	55.72901

ANNEX D
to
Conditional Sale Agreement

ASSIGNMENT OF LEASE AND AGREEMENT dated as of January 1, 1981 (this "Assignment"), by and between SECURITY PACIFIC EQUIPMENT LEASING, INC. (the "Lessor" or the "Vendee"), and MERCANTILE-SAFE DEPOSIT AND TRUST COMPANY, as Agent (together with its successors and assigns the "Vendor") under a Participation Agreement dated as of the date hereof.

The Vendee is entering into a Conditional Sale Agreement dated as of the date hereof (the "CSA") with ACF Industries, Incorporated, General American Transportation Corporation and Richmond Tank Car Company (the "Builders"), providing for the sale to the Vendee of such units of railroad equipment (the "Units") described in the Annex thereto as are delivered to and accepted by the Vendee thereunder.

The Lessor and The Dow Chemical Company ("the Lessee") have entered into a Lease of Railroad Equipment dated as of the date hereof (the "Lease"), providing for the leasing of the Units to the Lessee by the Lessor.

In order to provide security for the obligations of the Lessor under the CSA and as an inducement to the Vendor to invest in the CSA Indebtedness (as defined in Article 4 of the CSA), the Lessor agrees to assign to the Vendor for security purposes the Lessor's rights in, to and under the Lease.

NOW, THEREFORE, in consideration of the premises and of the payments to be made and the covenants hereinafter mentioned to be kept and performed, the parties hereto agree as follows:

1. The Lessor hereby assigns, transfers and sets over unto the Vendor, as collateral security for the payment and performance of the obligations of the Lessor as Vendee under the CSA, all the Lessor's right, title and interest, powers, privileges, and other benefits under the Lease (except any amounts of indemnity payable to the Lessor pursuant to § 6 or 9 of the Lease or the Indemnity

Agreement dated as of the date hereof between the Lessee and Lessor), including, without limitation, the immediate right to receive and collect all rentals, profits and other sums payable to or receivable by the Lessor from the Lessee under or pursuant to the provisions of the Lease whether as rent, casualty or termination payment, indemnity, liquidated damages, or otherwise (such moneys being hereinafter called the "Payments"), and the right to make all waivers and agreements, to give all notices, consents and releases, to take all action upon the happening of an Event of Default specified in the Lease, and to do any and all other things whatsoever which the Lessor is or may become entitled to do under the Lease. In furtherance of the foregoing assignment, the Lessor hereby irrevocably authorizes and empowers the Vendor in its own name, or in the name of its nominee, or in the name of the Lessor or as its attorney, to ask, demand, sue for, collect and receive any and all Payments to which the Lessor is or may become entitled under the Lease, and to enforce compliance by the Lessee with all the terms and provisions thereof.

The Vendor agrees to accept any Payments made by the Lessee for the account of the Lessor pursuant to the Lease; and to the extent received, the Vendor will apply such Payments to satisfy the obligations of the Lessor under the CSA, and, so long as no event of default shall have occurred and be continuing under the CSA, any balance shall be paid to the Lessor on the same date such Payment is applied to satisfy such obligations of the Lessor by check mailed to the Lessor on such date or, upon written request of the Lessor, by bank wire to the Lessor at such address as may be specified to the Vendor in writing, and such balance shall be retained by the Lessor; provided, however, that, unless and until the Vendor shall otherwise direct the Lessee in writing pursuant to Paragraph (1) of the attached Consent and Agreement, the Lessee may pay directly to the Lessor that portion of the Payments not required from time to time to satisfy the obligations of the Lessor under the CSA. If the Vendor shall not receive any rental payment under the first paragraph of § 3 of the Lease or any payment under § 7 of the Lease when due, the Vendor shall forthwith notify the Lessor by telephone (confirmed in writing) or telegraph at the address set forth in the Lease; provided, however, that the failure of the Vendor so to notify the Lessor shall not affect the obligations of the Lessor hereunder or under the CSA.

2. This Assignment is executed only as security and, therefore, the execution and delivery of this Assignment shall not subject the Vendor to, or transfer, or pass, or in any way affect or modify the liability of the Lessor under the Lease, it being understood and agreed that notwithstanding this Assignment or any subsequent assignment, all obligations of the Lessor to the Lessee shall be and remain enforceable by the Lessee, its successors and assigns, against, and only against, the Lessor or persons other than the Vendor.

3. The Lessor will faithfully abide by, perform and discharge each and every obligation, covenant and agreement which the Lease provides is to be performed by the Lessor; without the written consent of the Vendor, the Lessor will not anticipate the rents under the Lease or waive, excuse, condone, forgive or in any manner release or discharge the Lessee thereunder of or from the obligations, covenants, conditions and agreements to be performed by the Lessee, including, without limitation, the obligation to pay the rents in the manner and at the time and place specified therein or enter into any agreement amending, modifying or terminating the Lease, and the Lessor agrees that any amendment modification or termination thereof without consent shall be void.

4. The Lessor does hereby constitute the Vendor the Lessor's true and lawful attorney, irrevocably, with full power (in the name of the Lessor, or otherwise) to ask, require, demand, receive and give acquittance for any and all Payments due and to become due under or arising out of the Lease to which the Lessor is or may become entitled, to enforce compliance by the Lessee with all the terms and provisions of the Lease, to endorse any checks or other instruments or orders in connection therewith and to file any claims or take any action or institute any proceedings which to the Vendor may seem to be necessary or advisable in the premises.

5. Upon the full discharge and satisfaction of all sums due from the Lessor under the CSA, this Assignment and all rights herein assigned to the Vendor shall terminate, and all estate, right, title and interest of the Vendor in and to the Lease shall revert to the Lessor.

6. The Lessor will pay and discharge any and

all taxes, claims, liens, charges or security interests (other than created by the CSA) on the Lease or the rentals or other payments due or to become due thereunder claimed by any party from, through or under the Lessor, or its successors and assigns (other than the Vendor), not arising out of the transactions contemplated by the CSA or the Lease (but including income taxes arising out of rentals and any other payments under the Lease and any other proceeds of the Equipment) which, if unpaid, might become a claim, lien, charge or security interest on or with respect to the Lease or such rentals, other payments or proceeds, unless the Lessor shall be contesting the same in good faith by appropriate proceedings in any reasonable manner and the nonpayment thereof does not, in the reasonable opinion of the Vendor, adversely affect such interests of the Vendor.

7. The Lessor will, from time to time, execute, acknowledge and deliver any and all further instruments required by law as reasonably requested by the Vendor in order to confirm or further assure the interest of the Vendor hereunder.

8. The Vendor may assign all or any of the rights assigned to it hereby or arising under the Lease, including, without limitation, the right to receive any Payments due or to become due. In the event of any such assignment, any such subsequent or successive assignee or assignees shall, to the extent of such assignment, enjoy all the rights and privileges and be subject to all the obligations of the Vendor hereunder.

9. This Assignment shall be governed by the laws of the State of New York, but the parties shall be entitled to all rights conferred by 49 U.S.C. § 11303.

10. The Lessor shall cause copies of all notices received in connection with the Lease and all payments hereunder to be promptly delivered or made to the Vendor at Two Hopkins Plaza, Baltimore, Maryland 21203, Attention of Corporate Trust Department, or such other address as the Vendor shall designate.

11. The Vendor hereby agrees with the Lessor that the Vendor will not, so long as no Event of Default under the Lease or event of default under the CSA has occurred and is continuing, exercise or enforce, or

seek to exercise or enforce, or avail itself of, any of the rights, powers, privileges, authorizations or benefits which are assigned and transferred by the Lessor to the Vendor by this Assignment, except the right to receive and apply the Payments as provided in Paragraph 1 hereof, and that, subject to the terms of the Lease and the CSA, the Lessor may, so long as no such event of default under the CSA has occurred and is then continuing, exercise or enforce, or seek to exercise or enforce, its rights, powers, privileges and remedies arising out of subparagraph (a) of the first paragraph of § 10 of the Lease; provided, however, that the Lessor shall not, without the prior written consent of the Vendor, terminate the Lease or otherwise exercise or enforce, or seek to exercise or enforce, any rights, powers, privileges and remedies arising out of subparagraph (b) of said § 10.

12. This Assignment may be executed in any number of counterparts, all of which together shall constitute a single instrument, but the counterpart delivered to the Vendor shall be deemed to be the original and all others shall be deemed to be duplicates thereof. It shall not be necessary that any counterpart be signed by both parties so long as each party shall sign at least one counterpart.

IN WITNESS WHEREOF, the parties hereto have caused this instrument to be executed in their respective corporate names by officers thereunto duly authorized, and their respective corporate seals to be affixed and duly attested, all as of the date first above written.

SECURITY PACIFIC EQUIPMENT
LEASING, INC.,

by

_____

[Corporate Seal]

Attest:

_____
Assistant Secretary

MERCANTILE-SAFE DEPOSIT & TRUST COMPANY,

by

_____
Assistant Vice President

[Corporate Seal]

Attest:

_____
Corporate Trust Officer

STATE OF CALIFORNIA,)
) ss.:
COUNTY OF SAN FRANCISCO,)

On this day of 1981, before me personally appeared ,
to me personally known, who being by me duly sworn, says that he is Executive Vice President of SECURITY PACIFIC EQUIPMENT LEASING, INC., that one of the seals affixed to the foregoing instrument is the corporate seal of said corporation and that said instrument was signed and sealed on behalf of said corporation by authority of its Board of Directors, and he acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.

_____
Notary Public

[Notarial Seal]

My Commission expires

STATE OF MARYLAND,)
) ss.:
CITY OF BALTIMORE,)

On this day of 1981, before me personally appeared ,
to me personally known, who being by me duly sworn, say that he is an Assistant Vice President of MERCANTILE-SAFE DEPOSIT AND TRUST COMPANY, that one of the seals affixed to the foregoing instrument is the corporate seal of said corporation and that said instrument was signed and sealed on behalf of said corporation by authority of its Board of Directors, and they acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.

_____
Notary Public

[Notarial Seal]

My Commission expires

CONSENT AND AGREEMENT

The undersigned, THE DOW CHEMICAL COMPANY, a Delaware corporation (the "Lessee"), the Lessee named in the Lease (the "Lease") referred to in the foregoing Assignment of Lease and Agreement (the "Lease Assignment"), hereby (a) acknowledges receipt of a copy of the Lease Assignment and (b) consents to all the terms and conditions of the Lease Assignment and agrees that:

(1) it will pay all rentals, casualty and termination payments, liquidated damages, indemnities and other moneys provided for in the Lease (which moneys, other than amounts that are not assigned under the Lease Assignment, are hereinafter called the "Payments") due and to become due under the Lease or otherwise in respect of the Units leased thereunder, to the extent such Payments are required to satisfy the obligations of the Lessor under the CSA (as defined in the Lease), by transfer of immediately available funds directly to Mercantile-Safe Deposit and Trust Company, as Agent (the "Vendor"), the assignee named in the Lease Assignment by 11:00 a.m. Baltimore time, on the date such payment is due, by bank wire transfer of immediately available funds to The Annapoolis Banking and Trust Company, Main Street and Church Circle, Annapolis, Maryland, for credit to the Agent's Account No. 52076-1, with a request that The Annapolis Banking and Trust Company advise Mrs. K. M. Tollberg, Assistant Vice President, Mercantile-Safe Deposit and Trust Company, Baltimore, Maryland, that the funds are "RE: DOW 1/1/81" (or at such other address as may be furnished in writing to the Lessee by the Vendor); any balance shall be paid by the Lessee to the Lessor (by check at its address set forth in § 17 of the Lease, or at such other place and in such other manner as the Lessor may indicate to the Lessee in writing) unless and until the Vendor shall otherwise direct the Lessee in writing;

(2) the Vendor shall be entitled to the benefits of, and to receive and enforce performance of, all the covenants to be performed by the Lessee under the Lease as though the Vendor were named therein as the Lessor;

(3) the Vendor shall not, by virtue of the Lease Assignment or this Consent and Agreement, be or become subject to any liability or obligation under the Lease or otherwise; and

(4) the Lease shall not, without the prior written consent of the Vendor, be terminated or modified, nor shall any action be taken or omitted by the Lessee the taking or omission of which might result in an alteration or impairment of the Lease or the Lease Assignment or this Consent and Agreement or of any of the rights created by any thereof.

This Consent and Agreement, when accepted by the Vendor by signing the Acceptance at the foot hereof, shall be deemed to be a contract under the laws of Michigan and, for all purposes, shall be construed in accordance with the laws of said State.

THE DOW CHEMICAL COMPANY,

by

_____

[Corporate Seal]

Attest:

_____
Assistant Secretary

The foregoing Consent and Agreement is hereby accepted, as of the 1st day of January 1981.

MERCANTILE-SAFE DEPOSIT AND TRUST COMPANY, as Agent,

by

_____
Assistant Vice President